

**PRICING SUPPLEMENT
TRANCHE D**

15 August 2005

VICTORIA PEAK INTERNATIONAL FINANCE LIMITED

PRICING SUPPLEMENT

relating to
Octave Notes Series 6 ("**this Series**")

HK Dollar Credit-Linked Secured Callable Fixed Rate with Equity Bonus Coupon Notes due 2011
("**Tranche D Notes**" and in this Pricing Supplement, the "**Notes**")

pursuant to its Retail Note Programme
arranged by

MORGAN STANLEY & CO. INTERNATIONAL LIMITED

The terms of the Tranche D Notes are as follows:

- | | | |
|----|-----------------------------------|---|
| 1. | Issuer: | Victoria Peak International Finance Limited |
| 2. | Relevant Subscriber/Lead Manager: | Morgan Stanley & Co. International Limited as Relevant Subscriber |
| 3. | (i) Series No: | 6 |
| | (ii) Tranche: | D |

Terms of Series

- | | | |
|-----|---|---|
| 4. | Relevant Currency (or Currencies in the case of Dual Currency Notes): | Hong Kong dollars (" HK\$ " or " HKD ") |
| 5. | Principal Amount: | HK\$31,640,000 |
| 6. | Form of the Notes: | Registered Global Certificate |
| 7. | Status: | Secured and limited recourse obligations of the Issuer, secured as provided below |
| 8. | Denomination(s): | HK\$40,000 per Note |
| 9. | Issue Date: | 15 August 2005 |
| 10. | Issue Price: | 100 per cent. of the Principal Amount. Re-offered at 97.5 per cent. of the Principal Amount |

11. Maturity Date: 15 February 2011, subject to redemption following notice of occurrence of a Credit Event, or occurrence of an Early Redemption Event as provided in the Conditions and paragraph 35 below
12. Redemption Amount (including early redemption): Each Note will redeem at its Principal Amount, provided that if notice of the occurrence of a Credit Event is given to the Noteholders, the Credit Event Redemption Amount as adjusted in accordance with the definition of Credit Event Redemption Amount will be paid on the Credit Event Redemption Date (see Special Condition (B)(1) in Annex 1) and if an Early Redemption Event has occurred, the Notes will be redeemed at the applicable Early Redemption Amount on the Early Redemption Date (see Special Condition (B)(2) in Annex 1)

Early Redemption

13. Terms of redemption at the option of the Issuer or other Issuer's option (if applicable):
- (i) The Issuer has the right, but not the obligation, to redeem the Notes in whole (but not in part) on any Interest Payment Date falling on or after the first anniversary of the Issue Date (such right being the "**Issuer Call Option**"), by giving not less than five Business Days prior written notice to the Noteholders in accordance with the Conditions
- (ii) Upon the exercise of the Swap Counterparty Option (as defined in Part I of Annex 2) in respect of the Notes, the Issuer Call Option will be exercised in respect of the Notes by the giving of not less than five Business Days written notice to the Noteholders in accordance with the Conditions
14. Issuer's Option Period: From and including the Issue Date
15. Terms of redemption at the option of the Noteholders or other Noteholders' Option (if applicable): Not applicable
16. Noteholders' Option Period: Not applicable

Interest

17. Interest Commencement Date (if different from Issue Date): Issue Date
18. Interest Basis: Fixed Rate
19. Interest Payment Date(s): Semi-annually in arrear on 15 February and 15 August in each year, commencing on 15 February 2006 up to and including the Maturity Date, subject to adjustment in accordance with the Following Business Day Convention

20. Interest Period Date(s) (if applicable): 15 February and 15 August in each year commencing on 15 February 2006

Fixed Rate

21. Interest Rate: 4.00 per cent. per annum for each Interest Accrual Period

If (1) notice is given by the Issuer of the occurrence of a Credit Event or (2) an Early Redemption Event occurs, or (3) an Issuer's Event of Default occurs, interest in respect of the Notes will be treated as having ceased to accrue from and including the Interest Payment Date immediately preceding the date upon which notice is given of the occurrence of such Credit Event, the date of the occurrence of the Early Redemption Event or Issuer's Event of Default, as the case may be or, in each case, the Issue Date if such event occurs before the first Interest Payment Date

22. Day Count Fraction: 30/360

23. Fixed Rate Interest Amount: HK\$800 per Note per Interest Accrual Period

24. Broken Amount: Not applicable

Floating Rate Not applicable

Zero Coupon Not applicable

Other

25. Redemption for Taxation Reasons permitted on days other than Interest Payment Dates: Yes

26. Index/Formula (Indexed Note): Not applicable

27. Calculation Agent: JPMorgan Chase Bank, N.A. has been appointed as the Calculation Agent pursuant to the Agency Agreement dated 30 August 2004 as amended and restated on 29 March 2005

28. Dual Currency Note: Not applicable

29. Partly-Paid Note: Not applicable

30. Instalment Date(s) (if applicable): Not applicable

31. Instalment Amount(s) (if applicable): Not applicable

32. Unmatured Coupons to become void upon early redemption: Not applicable

33. Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity of each Talon (Bearer Notes): No
34. Business Day Jurisdictions for Condition 8(h) (jurisdictions required to be open for payment): Hong Kong, New York City and London
35. Mandatory Redemption/Credit Event/Other Specified Event: Condition 7(b) and Condition 7(c) shall be amended as set out in this paragraph 35.
- (i) Conditions 7(b), 7(c)(i) and 7(c)(ii) will be deleted;
 - (ii) "Credit Event" in Condition 7(c)(iii) means a "Credit Event" as set out in Special Condition (B)(1) in Annex 1; and
 - (iii) "Other specified event" in Condition 7(c)(iv) means an "Early Redemption Event" as set out in Special Condition (B)(2) in Annex 1
36. Variation: Not applicable
37. Details of any other additions or variations to the Conditions:
- (a) Condition 6(a) "Interest Rate and Accrual" shall be amended as set out in Special Condition (A) in Annex 1
 - (b) Condition 7(i) shall apply where Morgan Stanley & Co. International Limited is the beneficial holder of Notes. Only Morgan Stanley & Co. International Limited may exercise an exchange option under Condition 7(i). Condition 7(i) shall be read in conjunction with the Morgan Stanley Exchange Option provisions (the "**MS Exchange Option Provisions**") set out in the Programme Prospectus dated 29 March 2005 issued by the Issuer in respect of the Retail Note Programme and where there is any inconsistency between Condition 7(i) and the MS Exchange Option Provisions, the MS Exchange Option Provisions shall prevail. Notice of the exercise of a Morgan Stanley Exchange Option will only be provided to Noteholders in the circumstances specified in the MS Exchange Option Provisions. Such notice will be provided in accordance with Condition 16. The Morgan Stanley Exchange Option may be exercised on one or more occasions.
 - (c) Condition 16 "Notices" shall be amended as set out in Special Condition (C) in Annex 1

- (d) A new Condition 6(h) shall be inserted as set out in Special Condition (D) in Annex 1

38. Mortgaged Property:

39. (a) Securities:

For the purposes of the Notes and this Pricing Supplement, "Securities" shall have the same meaning as "Underlying Securities". "**Underlying Securities**" shall comprise of the Original Underlying Securities, the Reinvested Eligible Investments purchased and/or held by or on behalf of the Issuer from time to time and the proceeds of redemption in respect of the Original Underlying Securities and any Reinvested Eligible Investments.

As at the Issue Date, the Underlying Securities will comprise US\$4,072,000 in principal amount of USD Secured Floating Rate Notes, Series 2005-18, due 2011 issued by Morgan Stanley ACES SPC, acting on the account of the Series 2005-18 Segregated Portfolio (ISIN: USG62615CC45) (the "**Original Underlying Securities**")

In the event that any Underlying Securities are redeemed, in whole or in part, at their outstanding principal amount including any accrued interest in accordance with their terms for any reason whatsoever by the issuer(s) of such Underlying Securities prior to the Maturity Date:

(a) the proceeds of redemption will be paid into the account of the Issuer with the Custodian (which may or may not be interest bearing). The Determination Agent, acting for and on behalf of the Issuer, may in its sole and absolute discretion reinvest the proceeds of redemption in Eligible Investments (as defined in Part I of Annex 2 to this Pricing Supplement). The Eligible Investments which are so acquired are referred to in this Pricing Supplement as "Reinvested Eligible Investments"

(b) the Issuer will notify the Noteholders (via the clearing systems) in accordance with the Conditions of such redemption, and will notify the Noteholders (via the clearing systems) in accordance with the Conditions as soon as practicable after acquiring Reinvested Eligible Investments of details of such acquisition, including the issuer(s) and rating(s) (if applicable) of the Reinvested Eligible Investments

(b) Security (order of priorities):

The Trustee shall apply all moneys received by it under the Trust Deed in connection with the realisation or enforcement of the security constituted by or pursuant to the Trust Deed in accordance with the following:

Derivatives Counterparty Priority

In accordance with the Supplemental Trust Deed, the Security for the Notes shall comprise all of the following:

- (i) a first fixed charge in favour of the Trustee over the Underlying Securities and all of the Issuer's rights attaching to or relating to the Underlying Securities and all sums derived therefrom;
- (ii) an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer's rights, title and interest against the Custodian, to the extent they relate to the Underlying Securities;
- (iii) an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer's rights, title and interest under each of the Swap Agreement, the Swap Guarantee, the Forward Agreement, the Equity Option Agreement and the MS/MSIL Guarantee, and any sums received thereunder;
- (iv) a first fixed charge in favour of the Trustee over (a) all sums received under the Swap Agreement, the Swap Guarantee, the Forward Agreement, the Equity Option Agreement and the MS/MSIL Guarantee; and (b) any sums held by the Principal Paying Agent and/or the Custodian and/or the Registrar to meet payments due in respect of the Notes; and
- (v) an assignment by way of first fixed charge in favour of the Trustee of the Issuer's rights, title and interest under the Agency Agreement in respect of the Notes and the Underlying Securities, including all sums derived therefrom in respect of the Notes and all rights against the Custodian with respect to the Underlying Securities, including without limitation all rights to the delivery of such Underlying Securities against the Custodian under the Agency Agreement or any applicable clearing system or the operator thereof or against any bank, broker or other intermediary and including all sums and other rights derived from such Underlying Securities.

The claims of the Trustee, the Custodian, the Principal Paying Agent, the Swap Counterparty, the Forward Counterparty and the Equity Option Counterparty against the Issuer shall rank prior to the claims of the Noteholders

under the Notes in the application of all moneys received in connection with the realisation or enforcement of the Security. As "Counterparty B Direction" applies, in realising the Security, in certain circumstances the Trustee is obliged to act in accordance with the directions of the Swap Counterparty (provided that sums are due to the Swap Counterparty)

- (c) Underlying Agreement (if applicable): Not applicable
- (d) Derivatives Contract:
- (i) Swap Agreement (including the Credit Default Swap Transaction and the Asset Swap Transaction) and the Swap Guarantee: In connection with the issue of the Notes, the Issuer has entered into, amongst other things, an ISDA Master Agreement (the "**MSCS ISDA Master Agreement**") dated as of 30 September 2004 between the Issuer and the Swap Counterparty which MSCS ISDA Master Agreement benefits from a guarantee (the "**Swap Guarantee**") of the Swap Guarantor dated 30 September 2004. Under the MSCS ISDA Master Agreement in respect of this Series the Issuer has executed certain confirmations thereto which incorporate the terms of the MSCS ISDA Master Agreement. The confirmations to the MSCS ISDA Master Agreement which relate to the Notes comprise a credit default swap transaction (the "**Credit Default Swap Transaction**") and an asset swap transaction (the "**Asset Swap Transaction**"), each dated the Issue Date. The MSCS ISDA Master Agreement together with the confirmations thereto which relate to the Notes are together referred to herein as the "**Swap Agreement**".

Pursuant to the terms of the Credit Default Swap Transaction the Issuer has agreed to sell credit protection to the Swap Counterparty in relation to the Reference Entities in a currency amount equal to the US dollar equivalent of the Principal Amount of the Notes as determined by the Determination Agent in its sole and absolute discretion against payment of a premium amount (the "**Credit Default Swap Premium**") and the Issuer has agreed that following the giving of notice of the occurrence of a Credit Event, it will pay to the Swap Counterparty an amount equal to the Liquidation Proceeds and the Swap Counterparty will pay an amount equal to the Credit Event Redemption Amount (after certain adjustments have been made by the Swap Counterparty as described under the definition of Credit Event Redemption Amount set out in Part I of Annex 2 below).

Furthermore, in connection with the issue of the Notes the

Issuer has entered into the Asset Swap Transaction in a currency amount equal to the US dollar equivalent of the Principal Amount of the Notes as determined by the Determination Agent in its sole and absolute discretion pursuant to which (A) the Issuer has agreed to pay to the Swap Counterparty (i) an amount equal to all distributions in respect of interest or income receivable by the Issuer in respect of the Underlying Securities and (ii) an amount equal to the Credit Default Swap Premium and (B) the Swap Counterparty has agreed to pay to the Issuer an amount equal to all amounts of interest due in respect of the Notes

- (ii) Forward Agreement and the MS/MSIL Guarantee:

In connection with the issue of the Notes, the Issuer has also entered into, amongst other things, an ISDA Master Agreement (the "**MSIL ISDA Master Agreement**") dated 29 April 2005 between the Issuer and the Forward Counterparty which MSIL ISDA Master Agreement benefits from a guarantee (the "**MS/MSIL Guarantee**") of the MS/MSIL Guarantor dated 29 April 2005. Under the MSIL ISDA Master Agreement in respect of this Series the Issuer has executed certain confirmations thereto which incorporate the terms of the MSIL ISDA Master Agreement. The confirmation to the MSIL ISDA Master Agreement which relates to the Notes comprise a contingent forward transaction dated the Issue Date. The MSIL ISDA Master Agreement together with the confirmation thereto which relates to the Notes are referred to herein as the "**Forward Agreement**".

Pursuant to the terms of the contingent forward transaction, if an Issuer Call Option is exercised in relation to the Notes, the Issuer will deliver to the Forward Counterparty the Underlying Securities in respect of the Notes, and the Forward Counterparty will pay to the Issuer a cash amount equal to the principal amount of the Notes.

- (iii) Equity Option Agreement and the MS/MSIL Guarantee:

In connection with the issue of the Notes, the Issuer has executed a confirmation dated the Issue Date relating to the equity option transaction relating to the Notes and to the MSIL ISDA Master Agreement which benefit from the MS/MSIL Guarantee, which incorporate the terms of the MSIL ISDA Master Agreement with the Equity Option Counterparty. The MSIL ISDA Master Agreement together with the confirmation thereto relating to the equity option transaction relating to the Notes is referred to herein as the "**Equity Option Agreement**").

Pursuant to the terms of the Equity Option Agreement, if on any Equity Bonus Payment Date the Equity Bonus Condition (as defined in Annex 1) is fulfilled in respect of that Equity Bonus Payment Date, the Equity Option Counterparty shall pay to the Issuer an amount equal to the Equity Bonus Payment Amount payable by the Issuer to Noteholders on such Equity Bonus Payment Date in respect of the Notes.

Each of the Swap Agreement, the Forward Agreement and the Equity Option Agreement may be terminated early, among other circumstances:

- (a) at the election of the non-defaulting party upon an Event of Default under the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, including:
 - (i) the failure of the other party to pay any amount due and payable under the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, and such failure continues for one Business Day (as defined in the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be);
 - (ii) non-compliance by the Swap Guarantor or the MS/MSIL Guarantor with any of its obligations under the Swap Guarantee or the MS/MSIL Guarantee, as the case may be, or the ceasing of the Swap Guarantee or the MS/MSIL Guarantee (as the case may be) to be in full force and effect;
 - (iii) the merger of either party or the Swap Guarantor or the MS/MSIL Guarantor, as the case may be, with another entity and such entity fails to assume all of the relevant party's obligations under the Swap Agreement or the Swap Guarantee, or the Forward Agreement, the Equity Option Agreement or the MS/MSIL Guarantee, as the case may be;
- (b) on the occurrence of certain Termination Events, including:
 - (i) it becoming illegal for either party to perform its obligations under the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, or for the Swap Guarantor or the MS/MSIL Guarantor to perform its obligations under the Swap Guarantee or the MS/MSIL Guarantee, as the case may be;

- (ii) if (subject as provided in the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be) withholding taxes are imposed on payments made by the Issuer, the Swap Counterparty, the Forward Counterparty or the Equity Option Counterparty under the Swap Agreement and/or the Forward Agreement and/or the Equity Option Agreement, as the case may be, which is not avoided by a transfer by the Affected Party (as defined in the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be) of its rights and obligations on terms provided in the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be;
- (iii) when the Notes become repayable in whole prior to the Maturity Date (other than as a result of the occurrence of a Credit Event or as a result of the exercise of an Issuer Call Option or Swap Counterparty Option);
- (c) where a Credit Event has occurred, the Asset Swap Transaction, the Forward Agreement and the Equity Option Agreement will terminate on the Credit Event Determination Date; and
- (d) upon the exercise by the Issuer of the Issuer Call Option referred to in paragraph 13 above, or the exercise by the Swap Counterparty of a Swap Counterparty Option, the Asset Swap Transaction, the Credit Default Swap Transaction and the Equity Option Agreement will terminate on the immediately following Interest Payment Date.

Consequences of Early Termination:

Upon any such early termination of the Swap Agreement, the Forward Agreement or the Equity Option Agreement (in whole or in part), as the case may be, and such agreement is not replaced on or prior to such termination, the Notes will become repayable and the Issuer or the Swap Counterparty may (subject as set out below and provided, in the case of certain tax events, that the Issuer may first be obliged to use all reasonable endeavours to transfer its obligations) be liable to make a termination payment to the other in respect of the Swap Agreement (regardless, if applicable, of which of such parties may have caused such termination).

Further, under the terms of the Swap Agreement, the

Forward Agreement and the Equity Option Agreement, termination payments will not be payable following termination as a result of the exercise by the Issuer of an Issuer Call Option, the exercise by the Swap Counterparty of a Swap Counterparty Option, or the occurrence of a Credit Event Determination Date (save in respect of any amounts which should have been paid prior to the date of termination and which remain unpaid).

Where such a termination payment is payable, it will be based on the total losses and costs and/or gains incurred in the termination of the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, and the termination payment would typically take into account the market value of the terminated Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, based on market quotations of the cost of entering into a transaction with terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties under the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be.

Regardless of which party makes the determination of the termination payment (if any), there is no assurance that the proceeds from the sale of the Underlying Securities plus or minus, as the case may be, the amount payable by the Swap Counterparty/Forward Counterparty/Equity Option Counterparty or the Issuer, as the case may be, due to the termination of the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, will be sufficient to repay the principal amount due to be paid in respect of the Notes and any other amounts in respect thereof that are due

- (iv) Additional Termination Event following exercise of Morgan Stanley Exchange Option

Following an exercise of the Morgan Stanley Exchange Option by Morgan Stanley & Co. International Limited in respect of any Notes as set out in the Programme Prospectus dated 29 March 2005 issued by the Issuer in respect of the Retail Note Programme, a pro rata amount of the Swap Agreement, the Forward Agreement and the Equity Option Agreement relating to the Notes (if any) corresponding in each case to that proportion of the Notes to be exchanged will be terminated without any termination payment due from either party to the other thereunder.

(v)	Cancellation following an Extraordinary Event	Following the occurrence of an extraordinary event, the equity option transaction under the Equity Option Agreement may be cancelled. No termination amounts will be payable under the Equity Option Agreement from either party to the other following such cancellation other than, in certain circumstances, a cancellation payment as described in Special Condition (D) in Annex 1.
(e)	Derivatives Counterparty(ies):	Morgan Stanley Capital Services Inc. (the " Swap Counterparty ") in respect of the Swap Agreement and Morgan Stanley & Co. International Limited in respect of the Forward Agreement (in such capacity, the " Forward Counterparty ") and the Equity Option Agreement (in such capacity, the " Equity Option Counterparty ")
(f)	Contract (if applicable)	Not applicable
(g)	Derivatives Guarantor (if applicable):	Morgan Stanley acts in the capacity as (i) the swap guarantor (the " Swap Guarantor ") in relation to the Swap Counterparty's obligations under the Swap Agreement; and (ii) the MS/MSIL guarantor (the " MS/MSIL Guarantor ") in relation to the Forward Counterparty's obligations under the Forward Agreement and the Equity Option Counterparty's obligations under the Equity Option Agreement
(h)	Details of Credit Support Document (if applicable):	Not applicable
(i)	Credit Support Provider:	Not applicable
(j)	Details of Stock Borrowing Agreement (if applicable):	Not applicable
(k)	Stock Borrower:	Not applicable
(l)	Specify any other Mortgaged Property:	Not applicable
(m)	Custodian:	JPMorgan Chase Bank, N.A. has been appointed as the Custodian pursuant to the Agency Agreement dated 30 August 2004 as amended and restated on 29 March 2005
(n)	Entitlement to procure realisation of security:	Counterparty B Direction, provided that references to "Derivatives Counterparty" for this purpose shall not include the Forward Counterparty nor the Equity Option Counterparty
40.	Investment Management Agreement:	Not applicable

41. Exchange: Global Note/Global Certificate exchangeable for Definitive Bearer/Registered Notes: Yes, but only in the limited circumstances set out in the Global Certificate
42. Details of any additions or variations to the Programme Agreement: The Issuer and Morgan Stanley & Co. International Limited entered into a Sixth Supplemental Programme Agreement (the "**Sixth Supplemental Programme Agreement**") dated the Issue Date pursuant to which Morgan Stanley & Co. International Limited was appointed as the Arranger in respect of the Notes
43. Net Price payable to Issuer: HK\$31,640,000
44. Common Code: 022730185
45. ISIN Code: XS0227301859
46. Registrar: JPMorgan Chase Bank, N.A.
Trinity Tower
9 Thomas More Street
London E1W 1YT
United Kingdom
Fax: +44 1202 347601/7945
Attention: The Manager, Issuer Services and Operations
47. Principal Paying Agent, Transfer Agent and Calculation Agent: JPMorgan Chase Bank, N.A.
Trinity Tower
9 Thomas More Street
London E1W 1YT
United Kingdom
Fax: +44 1202 347601/7945
Attention: The Manager, Issuer Services and Operations
48. Determination Agent: Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom
Fax: +44 (0) 20 7677 7990
Attention: Structured Credit Group

With copies to:

Morgan Stanley & Co. International Limited
c/o Morgan Stanley Dean Witter Asia Limited
30/F, Three Exchange Square, Central
Hong Kong

Fax: +852 2848-5986
Attention: Structured Credit Group

and

Morgan Stanley & Co. International Limited
c/o Morgan Stanley Japan Limited
Yebisu Garden Place Tower
4-20-3 Ebisu, Shibuya-ku,
Tokyo 150-6008, Japan

Fax: +81 3 5424 7894

Attention: Structured Credit Group

49. Market Agent:

Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Fax: +44 (0) 20 7677 7990

Attention: Structured Credit Group

With copies to:

Morgan Stanley & Co. International Limited
c/o Morgan Stanley Dean Witter Asia Limited
30/F, Three Exchange Square, Central
Hong Kong

Fax: +852 2848-5986

Attention: Structured Credit Group

and

Morgan Stanley & Co. International Limited
c/o Morgan Stanley Japan Limited
Yebisu Garden Place Tower
4-20-3 Ebisu, Shibuya-ku,
Tokyo 150-6008, Japan

Fax: +81 3 5424 7894

Attention: Structured Credit Group

ANNEX 1
SPECIAL CONDITIONS

The Conditions shall be supplemented and modified by the following Special Conditions. In the event of any inconsistency between the Conditions and such Special Conditions, such Special Conditions shall prevail and the Conditions shall be amended accordingly.

(A) *Interest Rate and Accrual*

The following sentence shall be added to the first paragraph of Condition 6(a) "Interest Rate and Accrual":

"If (i) a Credit Event occurs, upon receipt by the Issuer of a Credit Event Notice and a Notice of Publicly Available Information confirming the occurrence of a Credit Event, or (ii) an Early Redemption Event occurs, or (iii) an Issuer's Event of Default occurs, interest in respect of the Notes will be treated as having ceased to accrue from and including the Interest Payment Date falling on or immediately prior to the date upon which notice is given to the Noteholders of the occurrence of such Credit Event, or the date on which the Early Redemption Event or the Issuer's Event of Default occurs, as the case may be or, in each case, the Issue Date if such event occurs before the first Interest Payment Date."

(B) *Redemption for Taxation and Other Reasons*

(1) **Redemption following a Credit Event**

A "Credit Event" in Condition 7(c)(iii) means a "Credit Event".

Definition of Credit Event

"**Credit Event**" means the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion acting in good faith having the right (but not the obligation) to declare the occurrence of a Credit Event upon the occurrence of one or more of the following events or conditions with respect to a Reference Entity or Obligations of a Reference Entity, which event or condition occurs on or after the Issue Date:

- (i) Bankruptcy;
- (ii) Failure to Pay;
- (iii) Restructuring.

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon: (a) any lack or alleged lack of authority or capacity of the Reference Entity to enter into any Obligation, or as applicable, an Underlying Obligor to enter into any Underlying Obligation, (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation however described, (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described, or (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

Occurrence of a Credit Event

Upon the occurrence of a Credit Event:

- (i) the Determination Agent, acting for and on behalf of the Issuer shall be entitled to deliver to the Issuer during the Notice Delivery Period a Credit Event Notice and a Notice of Publicly Available Information;
- (ii) the Issuer shall have the right to notify the Trustee, the Principal Paying Agent, the Custodian, the Swap Counterparty, the Forward Counterparty, the Equity Option Counterparty and the Noteholders via Euroclear or Clearstream International of the relevant Credit Event (including reasonable details of the Publicly Available Information confirming such Credit Event) promptly after the Credit Event Determination Date;
- (iii) the Notes shall cease to bear interest and no further payment will be made in respect of interest accrued from the preceding Interest Payment Date (or if no interest payment has yet been paid, since the Issue Date);
- (iv) the Deliverable Obligations shall be identified by the Swap Counterparty (in its sole and absolute discretion) with an Initial Principal Amount equal to the Principal Amount of the Notes;
- (v) the Issuer will pay to the Swap Counterparty an amount equal to the Liquidation Proceeds and the Swap Counterparty will pay to the Issuer the Credit Event Redemption Amount (after making certain adjustments as described under the definition of Credit Event Redemption Amount below) to enable the Issuer to meet its obligations under the Notes; and
- (vi) the Issuer will redeem each Note by payment of the Credit Event Redemption Amount attributable on a pro-rata basis to one Note on the Credit Event Redemption Date converted into Hong Kong dollars at the exchange rate prevailing on or about the Credit Event Redemption Date, as determined by the Determination Agent.

The Credit Event Notice setting out the occurrence of a Credit Event will include a brief description of the relevant event and the Public Source of such information, and an explanation of how it fits the definition of a Credit Event.

(2) Redemption following an Early Redemption Event

"Other specified event" in Condition 7(c)(iv) means an "Early Redemption Event".

Definition of Early Redemption Event

The Notes will be subject to early redemption at the relevant Early Redemption Amount following the occurrence of any of the following events (each an "**Early Redemption Event**"):

(i) An Underlying Securities Default Event

If there has been a payment default in respect of the Underlying Securities (without regard to any grace period applicable with respect to such payments), or if the outstanding principal amount of the Underlying Securities is reduced or otherwise written down in accordance with their terms or if the Underlying Securities are

redeemed early or otherwise become repayable early in whole or in part by the issuer(s) of the Underlying Securities prior to their scheduled dates of maturity for any reason whatsoever at a principal amount less than the outstanding principal amount the subject of such redemption or repayment (each an "**Underlying Securities Default Event**"), the Notes will be redeemed at the Early Redemption Amount specified below.

The "**Early Redemption Amount**" means for the purpose of this Condition (7)(c)(iv)(i) an amount equal to Mandatory Redemption Liquidation Proceeds of the Underlying Securities and/or any proceeds received in respect of the Underlying Securities (including any amounts received as a direct result of the reduction or writedown in the principal amount of the Underlying Securities) on or prior to the Early Redemption Date plus or minus (as the case may be) the Swap Settlement Amount payable by the Swap Counterparty and/or the Forward Counterparty and/or the Equity Option Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement and/or the Forward Agreement and/or the Equity Option Agreement, as the case may be. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

(ii) *A Tax Event*

If:

- (A) the Issuer on the occasion of the next payment due in respect of the Notes would be required by law to withhold or account for tax or would suffer tax in respect of its income (including but not limited to its income in respect of the Underlying Securities) or payments made to it under the Swap Agreement and/or the Forward Agreement and/or the Equity Option Agreement or would receive net of tax any payments in respect of the Underlying Securities or payments made to it under the Swap Agreement and/or the Forward Agreement and/or the Equity Option Agreement so that it would be unable to make payment of the full amount due on the Notes (and it is unable to arrange for the substitution of a company incorporated in another jurisdiction which would not impose such requirement as the principal obligor in respect of the Notes); or
- (B) or any exchange controls or other currency exchange or transfer restrictions are imposed on the Issuer or any payments to be made to or by the Issuer or for any reason the cost to the Issuer of complying with its obligations under or in connection with the Notes or the Trust Deed would (in the sole opinion of the Issuer) be materially increased, the Trustee having required the Issuer to use its best endeavours to procure the substitution of a company incorporated in another jurisdiction (in which jurisdiction the relevant tax, exchange control or currency exchange or transfer restrictions does not apply) approved in writing by the Trustee as the principal obligor in respect of the Notes, or the establishment of a branch office in another jurisdiction (in which jurisdiction the relevant exchange control, or currency exchange or transfer restrictions does not apply) approved in writing by the Trustee (in each case subject to the satisfaction of certain conditions as more fully specified in the Trust Deed)

from which it may continue to carry out its functions under the Notes and the Swap Agreement and/or the Forward Agreement and/or the Equity Option Agreement, and the Issuer, having used its best endeavours is unable to arrange the substitution of a company incorporated in another jurisdiction in which the relevant exchange control or currency exchange or transfer restrictions do not apply before the next payment is due in respect of the Notes

(where each of (A) and (B) is a "Tax Event"), the Notes will be redeemed at the Early Redemption Amount specified below.

Prior to publication of any notice of redemption in respect of the circumstance set out in this sub-paragraph (ii), the Issuer shall deliver to the Trustee a certificate signed by a director of the Issuer demonstrating that the conditions precedent to the obligations of the Issuer to redeem have occurred and, in the case of a redemption of Notes under (A) above an opinion to the Issuer (in form and substance satisfactory to the Trustee) of legal advisers of recognised standing (previously approved by the Trustee) in the relevant jurisdiction to the effect that the Issuer has or will become obliged to withhold, account for or suffer such tax. The Trustee may rely on the aforementioned certificate and/or opinion without further enquiry.

The Early Redemption Amount following a Tax Event shall be the Mandatory Redemption Liquidation Proceeds of the Underlying Securities plus or minus (as the case may be) the Swap Settlement Amount (if any) payable by the Swap Counterparty and/or the Forward Counterparty and/or the Equity Option Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

(iii) *Termination of the Swap Agreement, the Forward Agreement or the Equity Option Agreement*

If any of the Swap Agreement, Forward Agreement or the Equity Option Agreement is terminated in whole or in part for any reason (other than as a result of the exercise by the Swap Counterparty of one or more Swap Counterparty Options or the giving of notice of the occurrence of a Credit Event to the Noteholders or following the exercise by the Issuer of one or more Issuer Call Options or the exercise by Morgan Stanley & Co. International Limited of the Morgan Stanley Exchange Option or, in the case of the Equity Option Agreement, as a result of an Extraordinary Event) and the Swap Agreement, the Forward Agreement or the Equity Option Agreement, as the case may be, (or the relevant part, as applicable) is not replaced on or prior to such termination, the Notes will be redeemed at the Early Redemption Amount specified below.

The Early Redemption Amount following termination of the Swap Agreement, the Forward Agreement and/or the Equity Option Agreement shall be the Mandatory Redemption Liquidation Proceeds of the Underlying Securities in a principal amount equal to the Principal Amount of the Notes, plus or minus (as the case may be) the Swap Settlement Amount (if any) payable by the Swap Counterparty, the Forward Counterparty and/or the Equity Option Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement, the Forward Agreement and/or the

Equity Option Agreement, as the case may be. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

(iv) *A Restructuring of Underlying Securities Event*

If the terms and conditions of the Underlying Securities are amended such that the issuer(s) of the Underlying Securities shall no longer be obliged to pay the same amounts on the same days as contemplated in the terms and conditions of the Underlying Securities as of the date purchased by or on behalf of the Issuer (a "**Restructuring of Underlying Securities Event**"), the Notes will be redeemed at the Early Redemption Amount specified below.

The Early Redemption Amount following a Restructuring of Underlying Securities Event shall be the Mandatory Redemption Liquidation Proceeds of the Underlying Securities plus or minus (as the case may be) the Swap Settlement Amount (if any) payable by the Swap Counterparty and/or the Forward Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement or the Forward Agreement, as the case may be. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

Upon the occurrence of an Early Redemption Event:

- (i) the Determination Agent, acting for and on behalf of the Issuer shall give prompt notice thereof to the Issuer, the Custodian, the Swap Counterparty, the Forward Counterparty, the Equity Option Counterparty and the Trustee (the "**Underlying Securities Event Notice**") and the Issuer shall notify the Trustee and the Noteholders via Euroclear and/or Clearstream International of the relevant Early Redemption Event promptly after receipt of the Underlying Securities Event Notice. The Determination Agent, acting for and on behalf of the Issuer shall thereafter acting in good faith in its sole discretion proceed, where appropriate, to arrange for and administer the sale of the Underlying Securities as agent of the Issuer by seeking, to the extent reasonably practicable, firm bid quotes on the day (the "**Underlying Securities Sale Date**") being 10 Business Days following the day on which the Underlying Securities Event Notice is delivered as aforesaid from five market makers (which market makers will not be affiliated with each other and may include Morgan Stanley & Co. International Limited or any of its Affiliates) in the Underlying Securities and selling the Underlying Securities to the highest bidder. If, on the Underlying Securities Sale Date, the Determination Agent, acting for and on behalf of the Issuer has not received a firm bid quotation in respect of the Underlying Securities then on the next Business Day (and, if necessary, on each Business Day thereafter for up to a total of 10 Business Days) the Determination Agent, acting for and on behalf of the Issuer shall attempt to obtain firm bid quotes, as aforesaid, for the Underlying Securities and sell the Underlying Securities to the highest bidder (if any) on that day. If no quote is received on or prior to that 10th Business Day, the sale price thereof shall be deemed to be nil. Notwithstanding the foregoing, the Underlying Securities may only be sold to Morgan Stanley & Co. International Limited or any of its Affiliates as the highest bidder if a bid was also received in respect of the Underlying Securities from a party not affiliated to Morgan Stanley & Co. International Limited or one of its Affiliates;

- (ii) upon receipt of the sale proceeds of the Underlying Securities (or determination that the sale price is zero), the Issuer shall apply the net sale proceeds (if any) thereof (having deducted all costs, expenses and disbursements in connection with such sale) together with the termination payment (if any) payable to the Issuer under the Swap Agreement and/or the Forward Agreement and/or the Equity Option Agreement to redeem the Notes by payment of the applicable Early Redemption Amount (as described below) on or prior to the 10th Business Day after receipt of such sale proceeds (or determination that the sale price is zero) and the termination payment (if any) (the "**Early Redemption Date**"); and
- (iii) the Notes so redeemed shall cease to bear interest and no further payment will be made in respect of interest accrued from the preceding Interest Payment Date (or if no interest has yet been paid, since the Issue Date).

Upon the occurrence of an Early Redemption Event, the relevant Early Redemption Amount will be paid to the Noteholders *pro rata* to their holdings of Notes and will be converted into Hong Kong dollars at the exchange rate prevailing on or about the date fixed for redemption, as determined by the Determination Agent. Following application of such net sale proceeds together with the termination payment (if any) under the Swap Agreement and/or the Forward Agreement and/or the Equity Option Agreement, no further amounts will be available to meet any remaining claims of the Noteholders and any such claims will be extinguished.

- (C) Condition 16 "Notices" shall be amended as follows:

The following paragraph shall be added to the last paragraph of Condition 16:

"So long as the Notes are represented by a Global Certificate which is registered in the name of a nominee for the common depository for Euroclear, Clearstream International and/or any other clearing system, notices required to be given to Noteholders may be given by their being delivered to the relevant clearing system for communication by it to entitled accountholders."

- (D) The following shall be inserted as Condition 6(h) (Equity Bonus Payment):

"(h)(1) On each Equity Bonus Payment Date, the Issuer will pay the holders of the Notes an Equity Bonus Payment Amount provided that:

- (i) the Equity Bonus Condition is fulfilled in respect of that Equity Bonus Payment Date; and
- (ii) no notice of the occurrence of a Credit Event has been provided, and no Early Redemption Event nor Issuer's Event of Default has occurred on or before such Equity Bonus Payment Date; and
- (iii) the Issuer has not exercised an Issuer Call Option in respect of the Notes relating to an Interest Payment Date occurring before such Equity Bonus Payment Date;

such payment, the "**Equity Bonus Payment**".

The Issuer shall use its best efforts to give notice to the Noteholders in accordance with Condition 16, by no later than the fifth (5th) Business Day before each Equity Bonus Payment Date, whether any Equity Bonus Payment will be paid on such Equity Bonus Payment Date.

In addition, if, following the occurrence of an Extraordinary Event, the equity option transaction under the Equity Option Agreement is cancelled and a cancellation payment is paid by the Equity Option Counterparty to the Issuer in connection with such termination, the Issuer shall pay to the

Noteholders a pro rata amount of such cancellation payment on the fifth Business Day following the delivery of the Cancellation Notice (such payment, a “**Final Equity Bonus Payment**”). No cancellation payment is payable by the Equity Option Counterparty to the Issuer and accordingly no amount will be payable by the Issuer to the holders of the Notes in connection with the termination of the Equity Option Agreement as a result of the exercise of an Issuer Call Option in respect of the Notes.

“**Equity Bonus Payment Amount**” means HK\$2,000 per Note in respect of an Equity Bonus Payment payable on an Equity Bonus Payment Date not falling on the Maturity Date, and HK\$1,000 in respect of an Equity Bonus Payment payable on the Maturity Date.

“**Equity Bonus Payment Date**” means 15 August in each year, commencing on 15 August 2006 up to, and including, the Maturity Date or, if applicable, (in the case of notice of the occurrence of a Credit Event being given to Noteholders or an Early Redemption Event or an Issuer’s Event of Default occurring) the Equity Bonus Payment Date immediately preceding the date upon which notice is given to the Noteholders of the occurrence of a Credit Event or, as the case may be, the date upon which the Early Redemption Event occurs or, as the case may be, the date upon which the Issuer’s Event of Default occurs or (in the case of the exercise of an Issuer Call Option in respect of the Notes) (where an Equity Bonus Payment Date falls on the Interest Payment Date on which such Issuer Call Option is exercised) the Equity Bonus Payment Date on which such Issuer Call Option is exercised or (where an Equity Bonus Payment Date does not fall on the Interest Payment Date on which such Issuer Call Option is exercised) the Equity Bonus Payment Date immediately preceding the Interest Payment Date on which such Issuer Call Option is exercised.

If an Equity Bonus Payment Date is not a Business Day, then payment of the Equity Bonus Payment due on that day will be made on the next following Business Day. No adjustment will be made to the amount of Equity Bonus Payment payable in the event of such a postponed payment.

The “**Equity Bonus Condition**” will be fulfilled in respect of that Equity Bonus Payment Date if the Determination Agent, acting for and on behalf of the Issuer, determines (in its sole discretion) that with respect to the Observation Dates immediately preceding such Equity Bonus Payment Date, the Final Price of each Share is equal to or greater than its Target Price. However, if the Final Price of any one or more Shares is less than its or their respective Target Price(s), the Equity Bonus Condition shall not be fulfilled in respect of that Equity Bonus Payment Date. The Equity Bonus Condition shall also not be fulfilled with respect to each Equity Bonus Payment Date falling on or after the date of a Cancellation Notice given following the occurrence of an Extraordinary Event.

Terms used but not defined in Condition 6 and relating to the Equity Bonus Payment are set out in Part II (Equity Terms) of Annex 2 to this Pricing Supplement.

ANNEX 2
DEFINITIONS

Part I
Credit Terms

"**Accreting Obligation**" means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (A) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (B) periodic cash interest is also payable.

"**Affiliate**" means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"**Asset-Backed Security**" means: (a) a debt security where the holders of such debt security are (i) entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend, amongst others, on the cash flow from a financial asset or a pool of financial assets, whether fixed, revolving or managed; or (ii) entitled to receive payments of interest and/or repayment of principal that are linked, directly or indirectly, to the creditworthiness of one or more obligors and/or value and/or price performance and/or cash flows of a financial asset or a pool of financial assets, whether fixed, revolving or managed (and whether or not such entitlement is also linked to other matters), and, in each case, that by its terms may pay an amount in cash to its holder within a finite time period, and/or with such other rights or assets designed to assure the servicing or timely distribution of proceeds to holders of the asset-backed securities; and (b) any other debt security which S&P and/or Moody's categorises as an asset-backed security.

"**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organization) that are not then a lender or a member of the relevant lending syndicate, without the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Reference Entity is guaranteeing such Loan) or any agent.

"**Bankruptcy**" means in respect of a Reference Entity that the Reference Entity (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation or (ii) is not dismissed, discharged,

stayed or restrained in each case within thirty calendar days of the institution or presentation thereof; (e) has a resolution passed for its winding up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter or; (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

"Best Available Information" means the unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Determination Agent, acting for and on behalf of the Issuer, makes its determination for the purposes of the definition of "Successor", other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required. Information which is made available more than fourteen calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.

"Bond" means Borrowed Money that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certified debt security or other debt security and shall not include any other type of Borrowed Money.

"Borrowed Money" means, any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit).

"CDO Squared Security" means a debt security where the holders of such debt security are entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend on, amongst other things, the creditworthiness of the underlying reference entities (constituting the portfolio of credit risks of each Synthetic CDO Security which is named as a reference obligation under such debt security) and/or the obligors, financial asset or pool of financial assets in respect of each Asset-Backed Security which is named as a reference obligation under such debt security.

"Certificate of Deposit" means a negotiable bearer instrument evidencing a time deposit with a commercial bank.

"Commercial Paper" means a short term secured or unsecured promise to repay a debt on a certain future date.

"Consent Required Loan" means a Loan that is capable of being assigned or novated with the consent of the Early Redemption Credit Event Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if an Early Redemption Credit Event Entity is

guaranteeing such Loan) or any agent.

"**Convertible Obligation**" means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"**Credit Event Determination Date**" means any date on which the Determination Agent, acting for and on behalf of the Issuer, gives notice that in its sole and absolute discretion acting in good faith that a Credit Event has occurred.

"**Credit Event Notice**" means the notice of the occurrence of a Credit Event in respect of one or more of the Reference Entities which is provided to, amongst others, the Noteholders.

"**Credit Event Redemption Amount**" shall be an amount equal to the market value of Deliverable Obligations with an Initial Principal Amount equal to the Principal Amount of the Notes on the Valuation Date offered by the five Dealers selected by the Determination Agent, acting for and on behalf of the Issuer, (which Dealers will not be affiliated to each other and may include Morgan Stanley & Co. International Limited or any of its Affiliates), less the costs and expenses, as determined by the Swap Counterparty, of effecting the relevant market valuation and/or sale.

The Credit Event Redemption Amount shall be adjusted:

(A) by adding any Swap Settlement Amount due to the Issuer from the Swap Counterparty, or, as the case may be, by deducting any Swap Settlement Amount due from the Issuer to the Swap Counterparty; and

(B) to reflect the market value following the sale of the Underlying Securities as determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion on or prior to the Credit Event Redemption Date. If the market value of the Underlying Securities is less than 100% of the par amount of the Underlying Securities, an amount (a "**Collateral Depreciation Amount**") equal to the difference between 100% of the par amount and such market value will be due from the Issuer to the Swap Counterparty. If the market value following the sale of the Underlying Securities is greater than 100% of the par amount of the Underlying Securities, an amount (a "**Collateral Appreciation Amount**") equal to the amount by which such market value is greater than 100% of the par amount will be due from the Swap Counterparty to the Issuer.

"**Credit Event Redemption Date**" means the day which is 2 Business Days after the Valuation Date.

"**Dealers**" means dealers in Bonds or Loans from which quotations on the market value of the Bonds or Loans are to be obtained or dealers in the Underlying Securities.

"**Deliverable Obligations Characteristics**":

(1) in respect of any Asian Entity, means each of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Law, Not Contingent, Not Domestic Issuance,

Assignable Loan, Transferable, Maximum Maturity and Not Bearer;

(2) in respect of any Domestic Asian Entity, means each of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Contingent, Assignable Loan, Transferable, Maximum Maturity and Not Bearer; and

(3) in respect of any European Entity, means each of Not Subordinated, Specified Currency, Not Contingent, Assignable Loan, Consent Required Loan, Transferable, Maximum Maturity and Not Bearer.

"Deliverable Obligations" means, subject to the application, if relevant, of the Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Provisions below:

(a) any obligation of the Early Redemption Credit Event Entity (either directly or in respect of any European Entity, Asian Entity or Domestic Asian Entity as provider of any Qualifying Guarantee) determined pursuant to the Method For Determining Deliverable Obligations that (i) is payable in an amount equal to its outstanding principal balance excluding any accrued interest, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in (a)-(d) of the definition of Credit Event) or right of set off by or of the Early Redemption Credit Event Entity or any applicable Underlying Obligor and (iii) in the case of a Qualifying Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Early Redemption Credit Event Entity for an amount at least equal to the outstanding principal balance excluding any accrued interest being valued apart from the giving of any notice of nonpayment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and

(b) subject to the second paragraph of the definition of Not Contingent, each Reference Obligation applicable to such Early Redemption Credit Event Entity.

"Domestic Currency" means the lawful currency and any successor currency of the jurisdiction in which the Reference Entity is organised. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

"Downstream Affiliate" means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 percent. owned, directly or indirectly, by a Reference Entity.

"Early Redemption Credit Event Entity" means the Reference Entity specified in the Credit Event Notice and selected by the Determination Agent, acting for and on behalf of the Issuer, as the Early Redemption Credit Event Entity.

"Eligible Investments" means any of the following as determined by the Determination Agent, acting for and on behalf of the Issuer, at its sole and absolute discretion:

(i) cash in the form of United States dollars held in a deposit account with a third party bank (which may or may not be interest bearing); and/or

(ii) any United States dollar denominated securities rated "Aaa" by Moody's or

"AAA" by Standard & Poor's that have a scheduled maturity date falling on or prior to the Maturity Date of the Notes, which may include Asset-Backed Securities, CDO Squared Securities and Synthetic CDO Securities (defined below) and which is not subject to any negative CreditWatch of S&P or on review for possible downgrade on Moody's Watchlist at the time of its acquisition; and/or

(iii) any United States dollar denominated Commercial Paper or Certificate of Deposit rated at least "P-1" by Moody's and/or "A-1" by Standard & Poor's or issued by an entity rated at least "P-1" by Moody's and/or "A-1" by Standard & Poor's and have a scheduled maturity date falling on or prior to the Maturity Date of the Notes and which is not subject to any negative CreditWatch of S&P or on review for possible downgrade on Moody's Watchlist at the time of its acquisition.

"Equity Securities" means:

(A) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing those equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and

(B) in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

"Exchangeable Obligation" means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"Failure to Pay" means in respect of a Reference Entity, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than US\$1,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated), as of the occurrence of the relevant Failure to Pay, under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

"Governmental Authority" means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the jurisdiction of organization of a Reference Entity.

"Grace Period" means the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Issue Date and the date as of which such Obligation is issued or incurred. Any Obligation with no grace period specified or a grace period of less than 3 Grace Period Business Days shall be deemed to

have a grace period of 3 Grace Period Business Days provided that the deemed Grace Period shall expire no later than the second Business Day prior to the Maturity Date.

"Grace Period Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified, in the jurisdiction of the currency or currencies in which an Obligation is denominated.

"Initial Principal Amount" means a principal or nominal amount of Deliverable Obligations identified by the Swap Counterparty after the Credit Event Determination Date equal to the Principal Amount of the Notes outstanding on the Credit Event Determination Date.

"Issuer's Event of Default" means the occurrence of an event whereby the Trustee has given notice to the Issuer that the Notes are, and they have accordingly forthwith become, immediately due and repayable at their principal amount following the occurrence of an Event of Default.

"Liquidation Proceeds" means, following a Credit Event, the US dollar amount realizable upon the sale of the Underlying Securities, at the highest clean firm bid price obtained by the Swap Counterparty upon the solicitation of five Dealers selected by the Determination Agent, acting for and on behalf of the Issuer, (which Dealers will not be affiliated to each other and may include Morgan Stanley & Co. International Limited or any of its Affiliates), less the costs and expenses, as determined by the Determination Agent, acting for and on behalf of the Issuer, of effecting the relevant market valuation and/or sale on the day which is three Business Days after the Credit Event Determination Date.

"Loan" means any Borrowed Money that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money obligation.

"Mandatory Redemption Liquidation Proceeds" means, following an Early Redemption Event, the US dollar amount realisable upon the sale of the Underlying Securities, at the highest clean firm bid price, obtained by the Determination Agent, acting for and on behalf of the Issuer, on the relevant day on which the Underlying Securities have been sold or realised upon solicitation of five Dealers selected by the Determination Agent, acting for and on behalf of the Issuer, (which Dealers will not be affiliated to each other and may include the Arranger or any of its Affiliates) less the costs and expenses, as determined by the Determination Agent, acting for and on behalf of the Issuer, of effecting the sale.

"Maximum Maturity" means an obligation that has a remaining maturity from the Credit Event Redemption Date of not greater than 30 years.

"Method for Determining Deliverable Obligations" means any Bond or Loan of the Early Redemption Credit Event Facility having as at the Valuation Date each of the Deliverable Obligation Characteristics specified to apply to that Reference Entity in the definition of "Deliverable Obligation Characteristics" as at the Valuation Date.

"Not Bearer" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the Euroclear system, Clearstream International

or any other internationally recognized clearing system.

"Not Contingent" means any obligation having as of the Valuation Date and all times thereafter an outstanding principal balance or, in the case of obligation that are not Borrowed Money, an outstanding principal balance excluding any accrued interest, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or nonoccurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Deliverable Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date.

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Deliverable Obligation only if the rights referred to in clauses (A) and (B) of this Section definition have not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date.

"Not Domestic Currency" means any obligation that is payable in any currency other than the Domestic Currency.

"Not Domestic Issuance" means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

"Not Domestic Law" means any obligation that is not governed by the laws of the jurisdiction of organization of the Reference Entity in part of Payment.

"Not Sovereign Lender" means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as "Paris Club debt";

"Not Subordinated" means an obligation that is not Subordinated to any unsubordinated Borrowed Money obligations of the Reference Entity in part of Payment.

"Notice Delivery Period" means the period from and including the Issue Date to and including the second Business Day prior to the Maturity Date.

"Obligation" means:

(1) in respect of any Asian Entity or Domestic Asian Entity, an obligation of such entity which is a Bond or Loan (either directly or as provider of a Qualifying Guarantee, and having each of the Obligation Characteristics specified in the definition of "Obligation Characteristics"); and

(2) in respect of any European Entity, any obligation of such entity which is Borrowed Money (either directly or as provider of a Qualifying Guarantee), and having each of the Obligation Characteristics specified in the definition of "Obligation Characteristics"; and

(3) in respect of each Reference Entity, each obligation of such entity which is specified or determined to be a Reference Obligation of such entity.

"Obligation Characteristics":

(a) in respect of any Asian Entity, means each of Not Subordinated, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law and Not Domestic Issuance;

(b) in respect of any Domestic Asian Entity, means each of Not Subordinated and Not Sovereign Lender; and

(c) in respect of all other entities, no Obligation Characteristics shall apply.

"Permitted Currency" means (i) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership); or (ii) the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

"Public Source" means each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and the Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources.

"Publicly Available Information" means (a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event has occurred and which (i) has been published in or on not less than the number of Public Sources specified in the Swap Agreement (as defined herein) (or, if a number is not so specified, two), regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if any of the Swap Counterparty or its Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless any of the Swap Counterparty or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (ii) is information received from or published by (A) a Reference Entity the subject of a Credit Event, or (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (d) in the definition of "Bankruptcy" above against or by the Reference Entity or (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

(b) In relation to any information of the type described in paragraphs (a)(ii), (iii), and (iv)

above, the party receiving such information may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to third parties.

(c) Publicly Available Information need not state that such occurrence (A) has met the requirement of being an aggregate amount of not less than US\$1,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated) in the case of a "Failure to Pay" or US\$10,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated) in the case of a "Restructuring", (B) is the result of exceeding any applicable Grace Period or (C) has met the subjective criteria specified in the Credit Events.

"**Qualifying Guarantee**" means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the "**Underlying Obligation**") for which another party is the obligor (the "**Underlying Obligor**"). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement; or (ii) pursuant to the terms of which the payment obligations of the Reference Entity, can be discharged, reduced, assigned or otherwise altered (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being delivered together with the Delivery of the Underlying Obligation.

"**Reference Entity**" means each of:

- (a) HSBC Bank plc and its Successors ("**HSBC**");
- (b) CLP Holdings Limited and its Successors ("**CLP**");
- (c) MTR Corporation Limited and its Successors ("**MTRC**");
- (d) Sun Hung Kai Properties Limited and its Successors ("**Sun Hung Kai**"); and
- (e) Cheung Kong (Holdings) Ltd and its Successors ("**Cheung Kong**")

(each a "**Reference Entity**" and collectively, the "**Reference Entities**").

For the avoidance of doubt, if following a Succession Event there is more than one Successor, the occurrence of a Credit Event in respect of any one Successor or the Obligations of any one Successor shall constitute a Credit Event for all purposes and in respect of the outstanding Principal Amount of the Notes.

"**Reference Obligation**" means, in respect of:

- (a) CLP, CLP Power Hong Kong Financing Limited 6.25% notes guaranteed by CLP Holdings Limited due 8 May 2012 (ISIN: XS0146769020);
- (b) HSBC, HSBC Bank PLC 4.25% subordinated notes due 18 March 2016 (ISIN: XS0164883992);

(c) MTRC, MTR Corporation (C.I.) Limited 4.75% notes guaranteed by MTR Corporation Limited due 21 January 2014 (ISIN: XS0184198157);

(d) Sun Hung Kai, Sun Hung Kai Properties (Capital Markets) Limited 5.75% notes guaranteed by Sun Hung Kai Properties Limited due 18 July 2012 (ISIN: HK0000022290); and

(e) Cheung Kong, Cheung Kong Finance Cayman Ltd 8.38% notes guaranteed by Cheung Kong (Holdings) Ltd due 12 January 2010 (ISIN: HK0000016631).

In the event that any of the Reference Obligations:

(i) is redeemed in full; or

(ii) is, in the opinion of the Determination Agent, materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortization or prepayments); or

(iii) is no longer an obligation of the relevant Reference Entity; or

(iv) is an Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms,

a substitute Reference Obligation will be identified by the Determination Agent, acting for and on behalf of the Issuer.

"Relevant Obligation" means the Obligation constituting any Bond or Loan of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Determination Agent, acting for and on behalf of the Issuer. The Determination Agent, acting for and on behalf of the Issuer, will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.

"Restructuring" means in respect of a Reference Entity that:

(a) with respect to one or more Obligations and in relation to an aggregate amount of not less than USD10,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated), any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Issue Date and the date as of which such Obligation is issued or incurred:

(i) reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;

(ii) reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(iii) postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(iv) change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or

(v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.

(b) Notwithstanding the provisions of paragraph (a) above, none of the following shall constitute a Restructuring:

(i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

(ii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and

(iii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.

(c) For the purposes of paragraphs (a) and (b) above, the term "Obligation" shall be deemed to include Underlying Obligations for which a Reference Entity is acting as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to a Reference Entity in paragraph (a) of this definition shall be deemed to refer to the Underlying Obligor and the reference to a Reference Entity in paragraph (b) of this definition shall continue to refer to such Reference Entity.

"**Sovereign**" means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof.

"**Sovereign Agency**" means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign Entity.

"**Specified Currency**" means an obligation that is payable in any of the lawful currencies of Canada, Japan, Switzerland, Hong Kong, Singapore, United Kingdom and the United States of America and the euro (and any successor currency to any of the aforementioned currencies, which currencies may be referred to collectively as the "**Specified Currencies**") and, in the case of any Domestic Asian Entity, also any Domestic Currency.

"**Subordination**" means, with respect to an obligation (the "**Subordinated Obligation**") and another obligation of the Reference Entity to which such obligation is being compared (the "**Senior Obligation**"), a contractual, trust or similar arrangement providing that:

- (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity (as applicable), claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation; or
- (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. "Subordinated" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account.

"**Succession Event**" means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, "**Succession Event**" shall not include an event in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event.

"**Successor**" means in relation to a Reference Entity, the entity or entities, if any, determined as set forth below:

(a) If an entity directly or indirectly succeeds to 75 per cent. or more of the Relevant Obligations of such Reference Entity by way of a Succession Event, that entity will be the sole Successor.

(b) If one entity directly or indirectly succeeds to more than 25 per cent. (but less than 75 per cent.) of the Relevant Obligations of such Reference Entity by way of a Succession Event and not more than 25 per cent. of the Relevant Obligations of such Reference Entity remains with such Reference Entity, the entity that succeeds to more than 25 per cent. will be the sole Successor.

(c) If more than one entity each directly or indirectly succeed to more than 25 per cent. of the Relevant Obligations of such Reference Entity by way of a Succession Event, and not more than 25 per cent. of the Relevant Obligations of such Reference Entity remains with such Reference Entity, the entities that succeed to more than 25 per cent. of the Relevant Obligations will each be a Successor.

(d) If one or more entities directly or indirectly succeed to more than 25 per cent. of the Relevant Obligations of such Reference Entity by way of a Succession Event and more than 25 per cent. of the Relevant Obligations of such Reference Entity remains with such Reference Entity, each such entity and the Reference Entity will be a Successor.

(e) If one or more entities directly or indirectly succeed to a part of Relevant Obligations of such Reference Entity by way of a Succession Event but no entity succeeds to more than 25 per cent. of the Relevant Obligations of such Reference Entity and such Reference Entity continues to exist, there will be no Successor and the Reference Entity will then be changed in any way.

(f) If one or more entities directly or indirectly succeed to a part of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations) of the Reference Entity will be the sole Successor.

The Determination Agent, acting for and on behalf of the Issuer, will be responsible for determining as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 days after the legally effective date of the Succession Event) and with effect from the legally effective date of the Succession Event whether the relevant thresholds set forth above have been met, or which entity qualifies under (f) above, as applicable. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (f) above, as applicable, the Determination Agent, acting for and on behalf of the Issuer, shall use in respect of each Relevant Obligation included in such calculation, the amount of the liability in respect of such relevant Obligation listed in the Best Available Information.

For the purposes of this definition of "Successor", "**succeed**" means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (a) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (b) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Deliverable Obligations (or, as applicable, obligations). The determinations required pursuant to the above shall be made, in the case of an exchange offer, on the basis of the outstanding principal balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the outstanding principal balance of Bonds for which Deliverable Obligations have been exchanged.

Where:

- (i) in respect of a Reference Obligation for a Reference Entity;
- (ii) one or more Successors to the Reference Entity have been identified; and
- (iii) any one or more Successors have not assumed the Reference Obligation,

a substitute Reference Obligation will be determined by the Determination Agent, acting for and on behalf of the Issuer, with respect of each such Successor.

Where the effect of these Successor provisions within this definition would be that a Reference Entity is specified more than once, that Reference Entity shall be deemed to be specified once only for the purposes of the Notes.

Where any Reference Entity (the "**First Company**") would be a Successor to any other Reference Entity (the "**Second Company**") in accordance with this "Successor" definition, the First Company shall be deemed not to be a Successor to the Second Company and a further Reference Entity (the "**Replacement Company**") shall be selected by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion, to be a Successor to the

Second Company.

"Supranational Organisation" means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

"Swap Counterparty Option" means, in respect of the Notes, the option of the Swap Counterparty, as provided in the Swap Agreement, to terminate the Swap Agreement in respect of the relevant notional amount of the Notes in whole (but not in part) on any Interest Payment Date falling on or after the first anniversary of the Issue Date, by giving not less than five Business Days' notice to the Issuer.

"Swap Settlement Amount" means:

(i) in respect of the Swap Agreement the early termination amount or close out payment (as determined by the Swap Counterparty) receivable or payable (expressed as a negative amount) by the Swap Counterparty or the Issuer under the Swap Agreement which has terminated early or otherwise closed out (other than where such amounts have been disapplied under the terms of the relevant transaction/transactions under the Swap Agreement);

(ii) in respect of the Forward Agreement the early termination amount or close out payment (as determined by the Forward Counterparty) receivable or payable (expressed as a negative amount) by the Forward Counterparty or the Issuer under the Forward Agreement which has terminated early or otherwise closed out (other than where such amounts have been disapplied under the terms of the relevant transaction/transactions under the Forward Agreement); and

(iii) in respect of the Equity Option Agreement the early termination amount or close out payment (as determined by the Equity Option Counterparty) receivable or payable (expressed as a negative amount) by the Equity Option Counterparty or the Issuer under the Equity Option Agreement which has terminated early or otherwise closed out (other than where such amounts have been disapplied under the terms of the relevant transaction/transactions under the Equity Option Agreement).

"Synthetic CDO Security" means a debt security where the holders of such debt security are entitled to receive payments of interest and/or repayment of principal the timing and/or amount of which depend on, amongst other things, the creditworthiness of a number of the underlying reference entities (constituting the portfolio of credit risks of the debt security) through one or more credit default swaps which the issuer of such debt security has entered into with one or more counterparties.

"Transferable" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:

(A) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or

(B) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds.

"Valuation Date" means any date falling on or after the 52nd Business Day to and including the 125th Business Day following the Credit Event Determination Date, as selected by the Swap Counterparty in its sole and absolute discretion.

"Voting Shares" shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

Interpretation of Provisions

- (a) (i) **"European Entity"** means HSBC.
- (ii) **"Asian Entity"** means any of CLP and MTRC.
- (iii) **"Domestic Asian Entity"** means any of Sun Hung Kai and Cheung Kong.

(b) (i) in the Deliverable Obligation Characteristics the term "Not Bearer" shall be construed as only applying to Bonds; (ii) in the Deliverable Obligation Characteristics the term "Transferable" shall be construed as only applying to Deliverable Obligations that are not Loans; and (iii) in the Deliverable Obligation Characteristics "Assignable Loan" or "Consent Required Loan" shall only apply to Loans;

(c) the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics which are Assignable Loan or Consent Required Loan and need not satisfy all such Deliverable Obligation Characteristics specified to apply to that Early Redemption Credit Event Entity; and

(d) In the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply:

(i) For the purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.

(ii) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified to apply to such Early Redemption Credit Event Entity from the following list: Not Subordinated, Specified Currency, Not Sovereign

Lender, Not Domestic Currency and Not Domestic Law. For these purposes, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America and the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.

(iii) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified to apply to such Early Redemption Credit Event Entity from the following list: Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Transferable, Maximum Maturity and Not Bearer.

(iv) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Early Redemption Credit Event Entity shall be deemed to refer to the Underlying Obligor.

(v) The term "outstanding principal balance" (as used herein), when used in connection with Qualifying Guarantees are to be interpreted to be the then "outstanding principal balance" of the Underlying Obligation which is supported by a Qualifying Guarantee.

Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Provisions

When the Early Redemption Credit Event Entity is a European Entity:

- (a) If Restructuring is the only Credit Event specified in a Credit Event Notice then a Deliverable Obligation may be selected only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.
- (b) "**Conditionally Transferable Obligation**" means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, provided, however, that a Deliverable Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Early Redemption Credit Event Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor if an Early Redemption Credit Event Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition.

For purposes of determining whether a Deliverable Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Valuation Date for the Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Determination Agent.

- (c) **"Modified Restructuring Maturity Limitation Date"** means, with respect to a Deliverable Obligation, the date that is the later of (x) the Maturity Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Deliverable Obligations.
- (d) **"Restructuring Date"** means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.
- (e) **"Restructured Bond or Loan"** means an obligation which is a Bond or Loan and in respect of which a Restructuring that is the subject of a Credit Event Notice has occurred.
- (f) **"Modified Eligible Transferee"** means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

Part II

Equity Terms

“**Basket Company**” means each of HSBC Holdings plc, CLP Holdings Limited, MTR Corporation Limited, Sun Hung Kai Properties Limited and Cheung Kong (Holdings) Ltd, provided that the identities of these Basket Companies may be subject to substitution by the Determination Agent in its sole and absolute discretion following the occurrence of an Extraordinary Event.

“**Change in Law**” means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Determination Agent, acting for and on behalf of the Issuer, determines in good faith that (X) it has become illegal to hold, acquire or dispose of the Shares of any Basket Company, or (Y) either the Equity Option Counterparty or the Issuer will incur a materially increased cost in performing its obligations under the Equity Option Agreement (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

“**Closing Price**” means, in respect of a Share, the official closing share price of the Share on the Relevant Stock Exchange.

“**Disrupted Day**” means any Scheduled Trading Day on which a Relevant Stock Exchange or Related Exchange fails to open for trading during its regular trading sessions or on which a Market Disruption Event has occurred.

“**Delisting**” means that, in respect of the Shares of a Basket Company, the Relevant Stock Exchange in respect of such Shares announces that pursuant to the rules of such Relevant Stock Exchange, such Shares cease (or will cease) to be listed, traded or publicly quoted on such Relevant Stock Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Relevant Stock Exchange (or, where the Relevant Stock Exchange is within the European Union, in any member state of the European Union).

“**Early Closure**” means the closure on any Exchange Business Day of the Relevant Stock Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Relevant Stock Exchange or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Relevant Stock Exchange or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Relevant Stock Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

“**Exchange Business Day**” means any Scheduled Trading Day on which the Relevant Stock Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Relevant Stock Exchange or Related Exchange closing prior to its Scheduled Closing Time.

“**Exchange Disruption**” means any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent, acting for and on behalf of the Issuer) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the

Relevant Stock Exchange or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Share on any Related Exchange.

“**Final Price**” means, in relation to each Equity Bonus Payment Date and in respect of each Share, the arithmetic mean of the Closing Prices of such Share on the Observation Dates immediately preceding such Equity Bonus Payment Date, rounded to two decimal places (with HKD0.005 and above being rounded upward).

“**Initial Spot Price**” means, in respect of a Share of a Basket Company, the Closing Price of such Share on the Target Price Fixing Date.

“**Insolvency**” means that, in respect of a Basket Company, by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting such Basket Company, (A) all the Shares of that Basket Company are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that Basket Company become legally prohibited from transferring them.

“**Market Disruption Event**” means, in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Determination Agent (acting for and on behalf of the Issuer) determines is material, at any time during the one hour period that ends at the relevant Valuation Time, or (iii) an Early Closure.

“**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Determination Agent, acting for and on behalf of the Issuer.

“**Merger Event**” means, in respect of the Shares of a Basket Company, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Basket Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the Basket Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries with or into another entity in which the Basket Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a “**Reverse Merger**”), in each case if the Merger Date is on or before the final Observation Date.

“**Nationalization**” means that, in respect of a Basket Company, all the Shares of such Basket Company or all or substantially all the assets of such Basket Company are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

“**Observation Dates**” means the sixteenth (16th) Business Day prior to each Equity Bonus Payment Date (the “**First Observation Date**”) and the two Business Days following the First Observation Date (or, if any such date is not a Scheduled Trading Day, such date will be postponed to the next following Scheduled Trading Day), provided that if any such day is a Disrupted Day, then such

Observation Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Observation Date, and such Observation Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the five (5) Scheduled Trading Days immediately following the Scheduled Observation Date is a Disrupted Day. In that case, (i) that fifth (5th) Scheduled Trading Day shall be deemed to be the Observation Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Determination Agent, acting for and on behalf of the Issuer, shall determine its good faith estimate of the value for that Share as of the Valuation Time of the Relevant Stock Exchange on that fifth (5th) Scheduled Trading Day.

“Related Exchange” means, in respect of a Share, each primary exchange on which options or futures on the relevant Share are traded, any successor to such exchange or any substitute exchange or quotation system to which trading in futures or option contracts relating to such Share has temporarily relocated (provided that the Determination Agent, acting for and on behalf of the Issuer, has determined that there is comparable liquidity relative to the futures or option contracts relating to such Share on such temporarily substitute exchange or quotation system as on the original Related Exchange).

“Relevant Stock Exchange” means, in respect of each Basket Company, The Stock Exchange of Hong Kong Limited, any successor to such exchange or any substitute exchange or quotation system to which trading in the Share of such Basket Company has temporarily relocated (provided that the Determination Agent, acting for and on behalf of the Issuer, has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Relevant Stock Exchange).

“Scheduled Closing Time” means, in respect of a Relevant Stock Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Relevant Stock Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

“Scheduled Observation Date” means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been an Observation Date.

“Scheduled Target Price Fixing Date” means the original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Target Price Fixing Date.

“Scheduled Trading Day” means any day on which the respective Relevant Stock Exchange and Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

“Share” means, in respect of a Basket Company, an ordinary share of such Basket Company.

“Target Price” means, in respect of a Share of a Basket Company, 110% of the Initial Spot Price of such Share, rounded to two decimal places (with HKD0.005 and above being rounded upwards).

“Target Price Fixing Date” means the Fixing Date (or, if the Fixing Date is not a Scheduled Trading Day, the Target Price Fixing Date will be postponed to the next following Scheduled Trading Day), provided that if any such day is a Disrupted Day, then the Target Price Fixing Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Target Price Fixing Date, and such Target Price Fixing Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight (8) Scheduled Trading Days immediately following the Scheduled Target Price Fixing Date is a

Disrupted Day. In that case, (i) that eighth (8th) Scheduled Trading Day shall be deemed to be the Target Price Fixing Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Determination Agent, acting for and on behalf of the Issuer, shall determine its good faith estimate of the value for that Share as of the Valuation Time of the Relevant Stock Exchange on that eighth (8th) Scheduled Trading Day.

“**Tender Offer**” means, in respect of a Basket Company, a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the Basket Company, as determined by the Determination Agent, acting for and on behalf of the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Determination Agent, acting for and on behalf of the Issuer, deems relevant.

“**Trading Disruption**” means any suspension of or limitation imposed on trading by the Relevant Stock Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or Related Exchange or otherwise (i) relating to the Share on the Relevant Stock Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.

“**Valuation Time**” means the Scheduled Closing Time on the Relevant Stock Exchange on the relevant Observation Date in relation to the Share to be valued.

“**Potential Adjustment Event**” means the declaration by a Basket Company of the terms of any of the following:

- (i) a subdivision, consolidation or reclassification of the relevant Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Basket Company equally or proportionately with such payments to holders of such Shares or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Basket Company as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Determination Agent, acting for and on behalf of the Issuer;
- (iii) an extraordinary dividend (where the characterization of a dividend or portion thereof as an extraordinary dividend shall be determined by the Determination Agent in its sole and absolute discretion);
- (iv) a call by the Basket Company in respect of the relevant Shares that are not fully paid;
- (v) a repurchase by the Basket Company or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of the Basket Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Basket Company pursuant to a shareholder rights plan or arrangement

directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Determination Agent, acting for and on behalf of the Issuer, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or

(vii) any other event that may have a diluting or concentrative effect on the theoretical value of such Shares.

If, following each Potential Adjustment Event, the Determination Agent, acting for and on behalf of the Issuer, determines in its sole and absolute discretion that such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Share, it will in its sole and absolute discretion determine the appropriate adjustment, if any, to be made to the terms of the Notes in respect of the Equity Bonus Payment (including the Target Price of the relevant Share) to account for the diluting or concentrative effect of the Potential Adjustment Event, such adjustment to be effective as of the date determined by the Determination Agent, acting for and on behalf of the Issuer.

The Determination Agent, acting for and on behalf of the Issuer, may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.

The Determination Agent, acting for and on behalf of the Issuer, shall, as soon as practicable following the occurrence of a Potential Adjustment Event notify the holders of the Notes in accordance with Condition 16 of any determinations and/ or adjustments (including the details of such Potential Adjustment Event and the details and the effective date of such adjustments) as the case may be.

"Extraordinary Event" means the occurrence of any of a Merger Event, a Tender Offer, a Nationalization, an Insolvency, a Delisting or a Change in Law.

If, in respect of any Basket Company, an Extraordinary Event occurs on or prior to the Maturity Date, the Determination Agent, acting for and on behalf of the Issuer, may either (i)(A) make such adjustment to the terms of the Notes in respect of the Equity Bonus Payment (including replacing one or more original Basket Companies with another or other entities and/or amending the Target Price of the Shares of one or more Basket Companies) as the Determination Agent, acting for and on behalf of the Issuer, determines appropriate to take into account the economic effect of such Extraordinary Event (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Equity Option Agreement); and (B) determine the effective date of that adjustment; or (ii) in its sole discretion determine that the Equity Bonus Payment shall forthwith cease to be payable (the notice referred to below to the Noteholders holding the Notes in respect of such determination in accordance with Condition 16, a **"Cancellation Notice"**). With effect from the date of such Cancellation Notice, the Equity Bonus Condition shall be deemed not to be fulfilled in respect of each Equity Bonus Payment Date falling on or after the date of such Cancellation Notice.

The Determination Agent, acting for and on behalf of the Issuer, may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Extraordinary Event, made by an options exchange to options on the relevant Shares traded on such options exchange.

The Issuer shall, as soon as practicable following the occurrence of an Extraordinary Event notify the Noteholders holding the Notes of any determinations and/or adjustments (including the details of such Extraordinary Event and the details and the effective date of such adjustments) as the case may be in accordance with Condition 16.