

**NOTES ISSUED UNDER THE  
US\$5,000,000,000 LIMITED REOURSE SECURED NOTE PROGRAMME OF  
CONSTELLATION INVESTMENT LTD.  
(TOGETHER, THE “NOTES” AND EACH SERIES THEREOF, A “SERIES”)**

**DISCLAIMER**

**FREQUENTLY ASKED QUESTIONS**

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**CONSTELLATION NOTES  
SERIES 39-42 (THE "NOTES")**

**CREDIT EVENT IN RESPECT OF FANNIE MAE**

**FREQUENTLY ASKED QUESTIONS**

**25 SEPTEMBER 2008**

**1. What are credit-linked notes?**

The Notes are credit-linked notes.

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

**2. Has a credit event happened?**

Yes - a credit event has happened in respect of one of the reference entities, Fannie Mae.

**3. When did the credit event occur with respect to Fannie Mae?**

A credit event occurred with respect to Fannie Mae on or about 7 September 2008.

**4. What was the credit event?**

On or about 7 September 2008, the United States Treasury Department placed Fannie Mae into conservatorship, which pursuant to the terms of the Notes constitutes a Bankruptcy Credit Event within the meaning of paragraph (vi) of the definition of "Bankruptcy" in the terms of the Notes.

**5. When is the credit event determination date?**

The credit event determination date, being the date which the credit event notice and notice of publicly available information were effectively delivered by DBS Bank Ltd, as calculation agent, to the issuer was 9 September 2008.

**6. When is the valuation date and what is going to happen on such date?**

The valuation date falls on the 25th business day following the credit event determination date, and is therefore expected to be on or about 20 October 2008. On such date, DBS Bank Ltd, as calculation agent, will determine the credit event redemption amount.

**7. When is the credit event redemption date and what is going to happen on such date?**

The credit event redemption date is the 5th business day following the valuation date, and is therefore expected to be on or about 27 October 2008. On such date, the issuer will redeem each note at the credit event redemption amount.

**8. Will the Notes still bear any interest after the occurrence of the credit event?**

The Notes will cease to bear any interest from the interest payment date immediately preceding the occurrence of the credit event.

**9. Will DBS Bank Ltd as the market agent still quote prices to purchase the Notes?**

With immediate effect, DBS Bank Ltd, as market agent, will cease to quote any price to purchase the Notes.

**10. How will the credit event redemption amount be calculated?**

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

the principal amount of such series of Notes

**multiplied by**

(i) the market value of the reference obligation of Fannie Mae, and

**less**

(ii) any depreciation of the collateral; and

(iii) costs and expenses associated with the termination of the swap arrangements in respect of such series of Notes.

Each of these components is explained below.

***(i) Market value of the reference obligation:***

Firstly, our calculation agent will multiply the principal amount of the Notes by the market value of the reference obligation of Fannie Mae referred to by the Notes.

Our calculation agent will determine the market value of the reference obligation by asking dealers to bid for the reference obligation (expressed as a percentage of the face value of the reference obligation) and taking the average bid price obtained from such dealers.

The HKD Notes would also take into account the difference between the HKD/USD exchange rate at the issue date and the date the credit event redemption amount is calculated.

***(ii) Depreciation on the collateral:***

Secondly, our calculation agent will deduct the depreciation on the collateral for the Notes. The issue prospectus for the Notes call this depreciation the "Charged Assets Adjustment Amount". The depreciation of the collateral means the shortfall of the market value of the collateral compared to the principal amount of the collateral. We have set out under Question 11 below further details as to how the market value of the collateral is determined.

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

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

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

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

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

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

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

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