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**Notice of Valuation of Residual Value of
200,000,000 European Style (Cash Settled) Category R Callable Bear Contracts 2008-2009
relating to
China Merchants Bank Co., Ltd. (the "CBBCs")
(Stock Code: 61185)**

**issued by
UBS AG**
(incorporated with limited liability in Switzerland)

**Sponsor
UBS SECURITIES ASIA LIMITED**

Announcement

UBS AG (the "**Issuer**"), acting through its London branch, gives notice that under the terms and conditions of the CBBCs (the "**Conditions**"), following the occurrence of the Mandatory Call Event ("**MCE**") of the CBBCs at 09:50:00 in the pre-opening session on 06 January 2009, the Residual Value has been determined to be HK\$760 per Board Lot (being HK\$0.152 per CBBC).

The Residual Value per Board Lot is determined by the Issuer by reference to the following formula:

$$\frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

Where:

- (a) "**Strike Price**" is HK\$18.88; and
- (b) "**Maximum Trade Price**" means the highest Spot Price of the Shares during the MCE Valuation Period, being HK\$17.36.
- (c) "**Entitlement**" is 1 Share
- (d) "**Board Lot**" is 5,000
- (e) "**Number of CBBCs per Entitlement**" is 10

Subject to Settlement Disruption Event, all eligible CBBC holders will receive the Residual Value no later than 09 January 2009, being three business days following the end of the MCE Valuation Period.

Capitalised terms not defined in this announcement have the meaning given to them in the Conditions.

Hong Kong, 06 January 2009