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Launch Announcement for Callable Bull/Bear Contracts ("CBBCs")

to be issued by



UBS AG

(incorporated with limited liability in Switzerland)

acting through its London Branch

Sponsor

UBS SECURITIES ASIA LIMITED

Particulars of CBBCs

We intend to issue the following CBBCs:

CBBCs	Series 1	Series 2
Stock code	61499	61503
Issue size	500,000,000 CBBCs	500,000,000 CBBCs
Type	European style cash settled category R callable bull contracts	European style cash settled category R callable bear contracts
Index	Hang Seng China Enterprises Index	Hang Seng China Enterprises Index
Board Lot	10,000 CBBCs	10,000 CBBCs
Issue Price	HK\$0.250	HK\$0.250
Strike Level	8,000.00	9,400.00
Call Level	8,800.00	8,700.00
Index Currency Amount	HK\$1.00	HK\$1.00
Divisor	12,000	7,000
Launch Date	6 January 2009	6 January 2009
Issue Date	12 January 2009	12 January 2009
Expected listing date	13 January 2009	13 January 2009
Observation Commencement Date	13 January 2009	13 January 2009
Expiry Date	30 July 2009	30 July 2009
Effective Gearing*	2.86x	4.90x
Gearing*	2.86x	4.90x
Premium*	28.32%	10.76%
Funding Cost as of Launch Date[#]	HK\$0.2023	HK\$0.1318

*This data may fluctuate during the life of the CBBCs and may not be comparable to similar information provided by other issuers of callable bull/bear contracts. Each issuer may use different pricing models.

[#]The funding cost is calculated in accordance with the following formula:

$$\text{Funding Cost} = \frac{\text{Strike Level} \times \text{funding rate} \times n / 365 \times \text{Index Currency Amount}}{\text{Divisor}}$$

Where,

- (i) "n" is the number of days remaining to expiration; initially, "n" is the number of days from (and including) the Launch Date to (and including) the trading day immediately preceding the Expiry Date; and
- (ii) the funding rate will fluctuate throughout the term of the CBBCs as further described in the relevant supplemental listing document in respect of the CBBCs. As of the Launch Date, the funding rates were 54.0289% for Series 1 and 17.4753% for Series 2.

How much will you receive upon occurrence of a Mandatory Call Event?

A Mandatory Call Event occurs when the Spot Level of the Index on any day on which the Index Exchange (being the Stock Exchange) is scheduled to be open for trading during the Observation Period is:

- (a) in respect of a series of callable bear contracts, at or above the Call Level; and
- (b) in respect of a series of callable bull contracts, at or below the Call Level.

“**Spot Level**” means the spot level of the Index as compiled and published by Hang Seng Indexes Company Limited.

“**Observation Period**” means the period commencing from and including the Observation Commencement Date and ending on and including the close of the trading day (Hong Kong time) immediately preceding the Expiry Date.

Subject to limited circumstances set out in the terms and conditions of the CBBCs in which a Mandatory Call Event may be reversed, upon the occurrence of a Mandatory Call Event, we must terminate the CBBCs and you may receive a Residual Value per Board Lot in Hong Kong dollars calculated as follows (if positive):

In respect of a series of callable bear contracts:

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

If the Residual Value is at or below zero, you will lose all your investment in the CBBCs.

Where “**Maximum Index Level**” means the highest Spot Level of the Index during the MCE Valuation Period (being the period immediately following the Mandatory Call Event and up to the end of the following trading session on the Index Exchange subject to any potential extension).

In respect of a series of callable bull contracts:

$$\text{Residual Value per Board Lot} = \frac{(\text{Minimum Index Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

If the Residual Value is at or below zero, you will lose all your investment in the CBBCs.

Where “**Minimum Index Level**” means the lowest Spot Level of the Index during the MCE Valuation Period (being the period immediately following the Mandatory Call Event and up to the end of the following trading session on the Index Exchange subject to any potential extension).

How much will you receive at expiry?

If no Mandatory Call Event occurs during the Observation Period, the CBBCs will be automatically exercised on the relevant Expiry Date if the Cash Settlement Amount is greater than zero. You will receive a Cash Settlement Amount per Board Lot in Hong Kong dollars calculated as follows (if positive):

In respect of a series of callable bear contracts:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

In respect of a series of callable bull contracts:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

“**Closing Level**” means the average of quotations of the Index compiled, computed and disseminated by Hang Seng Indexes Company Limited taken at (i) five minute intervals from five minutes after the start of, and up to five minutes before the end of, the continuous trading session of the Stock Exchange, and (ii) the close of trading on the Stock Exchange on the Valuation Date (being the Expiry Date), rounded down to the nearest whole number.

Listing of the CBBCs

We will make an application to the Stock Exchange for listing of and permission to deal in the CBBCs on the Stock Exchange.

Where do you obtain quotes?

You may request to obtain a quote for your CBBCs by calling the following telephone number:

CBBCs

<i>Liquidity Provider:</i>	UBS Securities Hong Kong Limited
<i>Address:</i>	52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
<i>Broker ID Number:</i>	9563
<i>Telephone number:</i>	+ 852 2971 6628

We do not have any special arrangements in place with any brokers with respect to our CBBCs.

Where can you inspect the relevant documents?

The following documents (“**Listing Documents**”), each in separate English and Chinese versions, are available for inspection until the Expiry Date at 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong :

- 1 our base listing document dated 18 April 2008, as supplemented by an addendum to the base listing document dated 28 November 2008; and
- 2 the relevant supplemental listing document for each series of the CBBCs to be dated on or about 12 January 2009.

IMPORTANT INFORMATION

Unsecured nature of the CBBCs

The CBBCs constitute our general unsecured contractual obligations and of no other person. You are relying upon our creditworthiness and have no rights under the CBBCs against the index compiler.

Issuer

Our long term debt ratings are:

<i>Rating agency</i>	<i>Rating as of the Launch Date</i>
Moody's Investors Service, Inc., New York	Aa2
Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies Inc	A+
Fitch Ratings Ltd., London	A+

We are a licensed bank regulated by the Hong Kong Monetary Authority. We are also regulated by, among others, the Swiss Federal Banking Commission and the Financial Services Authority of United Kingdom.

Selling restriction

The CBBCs have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and will not be offered, sold, delivered or traded, at any time, indirectly or directly, in the United States or to, or for the account or benefit of, any U.S. person (as defined in the Securities Act).

Investment risk

The price of the CBBCs may fall in value as rapidly as it may rise and you may sustain a total loss of your investment. If the Cash Settlement Amount is less than or equal to zero, all CBBCs will expire worthless on the Expiry Date.

We or the Liquidity Provider may be the only market participant for the CBBCs. The secondary market for the CBBCs may be limited.

You must:

- carefully study the risk factors set out in the relevant Listing Documents;
- fully understand the potential risks and rewards and independently determine whether the CBBCs are appropriate for you given your objectives, experience, financial and operational resources, and other relevant circumstances; and
- consult with such advisers as you deem necessary to assist yourself in making these determinations.

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Hong Kong, 6 January 2009