

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-A12B

Form for the registration/listing of a class of securities on a national securities exchange pursuant to  
Section 12(b)

Filing Date: **1994-01-07**  
SEC Accession No. **0000950123-94-000111**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### FILER

#### **PAINE WEBBER GROUP INC**

CIK: **75754** | IRS No.: **132760086** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **8-A12B** | Act: **34** | File No.: **001-07367** | Film No.: **94500759**  
SIC: **6211** Security brokers, dealers & flotation companies

Business Address  
*1285 AVE OF THE AMERICAS  
NEW YORK NY 10019  
2127132000*

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

---

 FORM 8-A

 FOR REGISTRATION OF CERTAIN CLASSES OF SECURITIES  
 PURSUANT TO SECTION 12(b) OR (g) OF THE  
 SECURITIES EXCHANGE ACT OF 1934

PAINE WEBBER GROUP INC.  
 (Exact name of registrant as specified in its charter)

Delaware	13-2760086
(State of incorporation or organization)	(I.R.S. Employer Identification No.)

1285 Avenue of the Americas, New York, New York	10019
(Address of principal executive offices)	(Zip Code)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class to be so registered	Name of each exchange on which each class is to be registered
AMEX Hong Kong 30 Index Call Warrants Expiring January 17, 1996	The American Stock Exchange
AMEX Hong Kong 30 Index Put Warrants Expiring January 17, 1996	The American Stock Exchange

Securities to be registered pursuant to Section 12(g) of the Act:

None  
 (Title of Class)

Item 1. Description of Registrant's Securities to be Registered.

For a description of the Amex Hong Kong 30 Index Call Warrants Expiring January 17, 1996 of Registrant (the "Call Warrants") and the AMEX Hong Kong 30 Index Put Warrants Expiring January 17, 1996 of Registrant (the "Put Warrants" and, together with the Call Warrants, the "Warrants") to be registered hereunder, reference is made to the information under the headings "Risk Factors" and "Description of Warrants" on pages 3 through 9 and on pages 11 through 14, respectively, of the Registrant's prospectus dated October 14, 1993 (the "Prospectus"), and the information under the headings "Prospectus Summary", "Certain Important Information Concerning the Warrants" and "Description of the Warrants" on pages S-3 through S-27 of the draft prospectus supplement dated January \_\_, 1994, relating to the Call Warrants (the "Call Warrant Prospectus Supplement") and on pages S-3 through S-28 of the draft prospectus supplement dated January \_\_, 1994, relating to the Put Warrants (the "Put Warrant Prospectus Supplement" and, together with the Call Warrant Prospectus Supplement, the "Prospectus Supplements"), each of which is attached as an exhibit hereto. The Company expects to file the Prospectus Supplements shortly with the Commission pursuant to Rule 424(b) under the 1933 Act. The description of the Warrants is hereby incorporated herein and made part of this registration statement in its entirety.

Item 2. Exhibits.

1. Forms of Warrant Certificates (included within Exhibit 2) relating to the Call Warrants.
2. Form of Warrant Agreement relating to the Call Warrants among the Registrant, Citibank, N.A., as Warrant Agent and PaineWebber Incorporated, as Determination Agent, including as Exhibits A and A-1 thereto the forms of the Call Warrant Certificates.
3. Forms of Warrant Certificates (included within Exhibit 4) relating to the Put Warrants.

3

4. Form of Warrant Agreement relating to the Put Warrants among the Registrant, Citibank, N.A., as Warrant Agent, and PaineWebber Incorporated, as Determination Agent, including as Exhibits A and A-1 thereto the forms of the Put Warrant Certificates.

5. Prospectus (incorporated by reference to the Prospectus dated October 14, 1993 relating to the Registrant's Registration Statement on Form S-3 (No. 33-33613)).
6. Draft Call Warrant Prospectus Supplement.
7. Draft Put Warrant Prospectus Supplement.
8. Warrant Agreement dated as of November 2, 1993 between the Registrant and Citibank, N.A. as Warrant Agent and PaineWebber Incorporated as Determination Agent relating to the Registrants AMEX Hong Kong 30 Index Put Warrants (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K dated October 26, 1993).
9. Warrant Agreement dated as of November 2, 1993 between the Registrant and Citibank, N.A. as Warrant Agent and PainWebber Incorporated as Determination Agent relating to the Registrants AMEX Hong Kong 30 Index Call Warrants (incorporated by reference of Exhibit 4.2 to the Registrant's Form 8-K dated October 26, 1993).
10. Warrant Agreement dated as of April 25, 1990 between Registrant and Citibank, N.A. as Warrant Agent, and Barr Rosenberg Associates, Inc., as Determination Agent relating to Registrant's Nikkei Stock Average Put Warrants (incorporated by reference to Exhibit 4.1 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990).
11. Warrant Agreement dated as of April 25, 1990 between Registrant and Citibank, N.A. as Warrant Agent, and Barr Rosenberg Associates, Inc., as Determination Agent relating to Registrant's Nikkei Stock Average Call Warrants (incorporated by reference to Exhibit 4.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990).
12. Warrant Agreement dated as of November 28, 1990 between Registrant and Citibank, N.A. as Warrant Agent, and Barr Rosenberg Associates, Inc., as Determination Agent relating to Registrant's CAC 40 Stock Index Put Warrants (incorporated by reference to Exhibit 4.3 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990).
13. Warrant Agreement dated as of January 27, 1993 between Registrant, Citibank, N.A. as Warrant Agent and PaineWebber Incorporated as Determination Agent relating to Registrant's U.S. Dollar Increase Warrants on the

reference to Exhibit 4.3 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992).

14. Indenture dated as of March 15, 1988, between Registrant and Chemical Bank (Delaware), as Trustee, relating to the Registrant's Subordinated Debt Securities (incorporated by reference to Exhibit 4.2b in Registrant's Registration Statement No. 33-29253 on Form S-3 filed with the SEC on June 14, 1989).
15. Supplemental Indenture dated as of September 22, 1989, to the Indenture dated as of March 15, 1988, between the Registrant and Chemical Bank Delaware, as Trustee, relating to Registrant's Subordinated Debt Securities (incorporated by reference to Exhibit 4.2d to Registrant's Form 8-K dated September 30, 1989).
16. Supplemental Indenture dated as of March 22, 1991, to the Indenture dated as of March 15, 1988, and supplemented as of September 22, 1989, between Registrant and Chemical Bank Delaware, as Trustee, relating to Registrant's Subordinated Debt Securities (incorporated by reference to Exhibit 4.2f to Registrant's Registration Statement No. 33-39818 on Form S-3 filed with the SEC on April 5, 1991).
17. Form of Book-Entry Global Security relating to Stock Index Return Securities on the S&P Midcap 400 Index due June 2, 2000 (incorporated by reference to Exhibit 4.1g to Registrant's Form 8-K dated June 2, 1993).

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: January 7, 1994

PAINE WEBBER GROUP INC.

By: /s/ Theodore A. Levine  
Name: Theodore A. Levine  
Title: Vice President,  
General Counsel  
and Secretary

6

Exhibit Index

-----

Exhibit

No.

-----

2. Form of Warrant Agreement relating to the Call Warrants among the Registrant, Citibank, N.A., as Warrant Agent and PaineWebber Incorporated, as Determination Agent, including as Exhibits A and A-1 thereto the forms of the Call Warrant Certificates.
4. Form of Warrant Agreement relating to the Put Warrants among the Registrant, Citibank, N.A., as Warrant Agent, and PaineWebber Incorporated, as Determination Agent, including as Exhibits A and A-1 thereto the forms of the Put Warrant Certificates.
6. Draft Call Warrant Prospectus Supplement.
7. Draft Put Warrant Prospectus Supplement.

---

---

EXHIBIT 2

PAINE WEBBER GROUP INC.

and

CITIBANK, N.A., Warrant Agent

and

PAINWEBBER INCORPORATED, Determination Agent

---

WARRANT AGREEMENT

dated as of January \_\_\_, 1994

---

AMEX Hong Kong 30 Index Call Warrants

Expiring January 17, 1996

---

---

PARTIES . . . . . 1

RECITALS . . . . . 1

ARTICLE I

ISSUANCE OF WARRANTS AND FORM,  
EXECUTION, DELIVERY AND REGISTRATION  
OF WARRANT CERTIFICATES AND  
GLOBAL WARRANT CERTIFICATE

SECTION 1.01. Issuance of Warrants . . . . . 1

SECTION 1.02. Form, Execution and Delivery of  
Warrant Certificates . . . . . 3

SECTION 1.03. Warrant Certificates . . . . . 3

SECTION 1.04. Registration of Transfers and  
Exchanges . . . . . 4

SECTION 1.05. Mutilated or Missing Warrant  
Certificates . . . . . 5

SECTION 1.06. Registered Holders . . . . . 6

SECTION 1.07. Global Warrant Certificate . . . . . 6

ARTICLE II

DURATION AND EXERCISE OF WARRANTS

SECTION 2.01. Duration of Warrants; Minimum  
Exercise Amounts; Notice  
of Exercise . . . . . 9

SECTION 2.02. Exercise and Delivery of  
Warrants . . . . . 10



1/ The Table of Contents is not a part of the Warrant Agreement.

3

ii

SECTION 2.03. Automatic Exercise of Warrants;  
 Exercise upon an Extraordinary Event  
 or Exercise Limitation Event . . . . . 21

SECTION 2.04. Limitation of Number of Exercisable  
 Warrants . . . . . 27

SECTION 2.05. Covenant of the Company . . . . . 28

SECTION 2.06. Return of Money Held Unclaimed for  
 Two Years . . . . . 28

SECTION 2.07. Return of Global Warrant  
 Certificate . . . . . 29

ARTICLE III

OTHER PROVISIONS RELATING TO  
RIGHTS OF WARRANTHOLDERS

SECTION 3.01. Warrantholder of Warrant May Enforce  
 Rights . . . . . 29

ARTICLE IV

WARRANTS ACQUIRED BY THE COMPANY;  
PAYMENT OF TAXES

SECTION 4.01. Warrants Acquired by the Company . . . . . 29

SECTION 4.02.	Payment of Taxes . . . . .	30
---------------	----------------------------	----

ARTICLE V

CONCERNING THE WARRANT AGENT

SECTION 5.01.	Warrant Agent . . . . .	30
SECTION 5.02.	Conditions of Warrant Agent's Obligations . . . . .	30
SECTION 5.03.	Resignation and Appointment of Successor . . . . .	33

4

iii

ARTICLE IV

MISCELLANEOUS

SECTION 6.01.	Amendment . . . . .	34
SECTION 6.02.	Notices and Demands to the Company, the Warrant Agent and the Determination Agent . . . . .	35
SECTION 6.03.	Addresses for Notices . . . . .	35
SECTION 6.04.	Notices to Holders . . . . .	35
SECTION 6.05	Obtaining of Approvals . . . . .	36
SECTION 6.06.	Persons Having Rights Under This Agreement . . . . .	36
SECTION 6.07.	Inspection of Agreement . . . . .	36
SECTION 6.08.	Headings . . . . .	36
SECTION 6.09.	Counterparts . . . . .	37
SECTION 6.10.	APPLICABLE LAW . . . . .	37
TESTIMONIUM . . . . .		37
SIGNATURES . . . . .		37

- EXHIBIT A - Form of Warrant Certificate
- EXHIBIT A-1 - Form of Global Warrant Certificate
- EXHIBIT A-2 - Notice of Exercise  
[For Warrants Represented by the Global  
Warrant Certificate]
- EXHIBIT B - Confirmation of Exercise and Notice  
of Rejection [For Warrants Represented by  
Warrant Certificates]
- EXHIBIT B-1 - Confirmation of Exercise and Notice of  
Rejection [For Warrants Represented by the Global  
Warrant Certificate]

5

iv

- EXHIBIT C-1 - Notice of Rejection Relating to Limit Option  
[For Warrants Represented by Warrant  
Certificates]
- EXHIBIT C-2 - Notice of Rejection Relating to Limit Option  
[For Warrants Represented by the Global  
Warrant Certificate]

6

1

#### WARRANT AGREEMENT

THIS AGREEMENT, dated as of January \_\_\_\_, 1994, among PAINE WEBBER GROUP INC., a corporation organized and existing under the laws of the State of Delaware (the "Company"), CITIBANK, N.A., a national banking association organized and existing under the laws of the United States of America (the "Warrant Agent"), and PAINWEBBER INCORPORATED, a corporation organized and existing under the laws of the State of Delaware (the "Determination Agent").

WHEREAS the Company proposes to sell call warrants (the "Warrants" or, individually, a "Warrant") representing the right to receive from the Company the amount, if any, in U.S. dollars determined by reference to increases in the Index (as defined herein) on the terms and conditions set forth in this Agreement; and

WHEREAS the Company desires the Warrant Agent to act on

behalf of the Company, and the Warrant Agent is willing so to act, in connection with the issuance, transfer and exercise of the Warrants, and the Company desires to set forth herein, among other things, the provisions of the Warrants and the terms and conditions on which they may be issued, transferred, exercised and canceled;

NOW, THEREFORE, the parties hereto agree as follows:

## ARTICLE I

### ISSUANCE OF WARRANTS AND FORM, EXECUTION, DELIVERY AND REGISTRATION OF WARRANT CERTIFICATES AND GLOBAL WARRANT CERTIFICATE

SECTION 1.01. Issuance of Warrants. (a) The Warrants will constitute direct, unconditional and unsecured obligations of the Company and will rank on a parity with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt.

(b) Each Warrant shall represent the right, subject to the provisions contained herein, to receive the Cash Settlement Value or the Alternative Settlement Amount, as the case may be (each as defined herein), of such Warrant. In no event shall a registered or beneficial holder of a Warrant (each a "Warrantholder") be entitled to receive any interest on any Cash Settlement Value or Alternative Settlement Amount.

7

2

(c) Forty-five calendar days after January \_\_\_\_, 1994, each Warrantholder will have the option to convert the form in which such Warrantholder holds his Warrants from definitive to book-entry form (the "Conversion Option"). The Conversion Option will be available for forty-five calendar days from \_\_\_\_\_, 1994 through \_\_\_\_\_, 1994 (the "Conversion Option Period"). To utilize the Conversion Option a Warrantholder must deliver or arrange to deliver his Warrants to an entity (a "Participant") entitled to execute, clear and settle transactions through the Depository (as defined herein) through which such Warrantholder's beneficial interest after electing the Conversion Option will be maintained, who will then deposit the Warrants with the Depository or its nominee. Once a Warrantholder has elected the Conversion Option such Warrantholder may hold his Warrants only in book-entry form and will not be able to change his election or withdraw from the book-entry system during the Conversion Option Period or thereafter. Accordingly, except as hereinafter provided, ownership of the Warrants in certificated form will no longer be available to Warrantholders who have elected the Conversion

Option and ownership of the Warrants surrendered under the Conversion Option will be represented by a single certificate (the "Global Warrant Certificate"); provided, however, that if the Depository is at any time unwilling or unable to continue as securities depository for the Warrants and a successor Depository is not appointed by the Company within 90 days, the Company will reissue Warrant Certificates in exchange for the Global Warrant Certificate. In addition, the Company may at any time determine not to have the Warrants represented by a Global Warrant Certificate and, in such event, will issue Warrant Certificates in exchange for the Global Warrant Certificate. In either instance, and in accordance with the provisions of this Agreement, each Warrantholder will be entitled to have a number of Warrants equivalent to such Warrantholder's beneficial interest in the Global Warrant Certificate registered in the name of the Warrantholder and will be entitled to physical delivery of such Warrants in definitive form by a Participant. The provisions of Section 1.07 shall apply only if and when the Conversion Option is utilized and a Global Warrant Certificate is issued hereunder. Unless the context shall otherwise require, and subject to the provisions of Section 1.07, all references in this Agreement to the Warrant Certificates (other than in Sections 1.02, 1.03, 1.04, 1.05, 1.06 and 1.07) shall include the Global Warrant Certificate in the event that the Global Warrant Certificate is issued.

SECTION 1.02. Form, Execution and Delivery of Warrant Certificates. (a) The Warrants, whenever issued,

8

3

shall be represented by certificates in registered form substantially in the form set forth in Exhibit A hereto (the "Warrant Certificates"), with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement, and may represent any number of whole Warrants. The Warrant Certificates may have imprinted or otherwise reproduced thereon such letters, numbers or other marks of identification or designation and such legends or endorsements as the officers of the Company executing the same may approve (execution thereof to be conclusive evidence of such approval) and which are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto, or with any rule or regulation of any stock exchange on which the Warrants may be listed, or of any securities depository, or to conform to usage. Warrant Certificates shall be signed on behalf of the Company by its chairman, its president or one of its vice presidents and under its corporate seal reproduced thereon and attested by its secretary or an assistant secretary. The signature of any of such officers may be either manual or facsimile. Typographical and other minor errors or defects in any such signature shall not affect the validity or enforceability of any Warrant Certificate that has been duly countersigned and delivered by the Warrant Agent.

(b) In case any officer of the Company who shall have signed a Warrant Certificate, either manually or by facsimile signature, shall cease to be such officer before such Warrant Certificate shall have been countersigned and delivered by the Warrant Agent to the Company or delivered by the Company, such Warrant Certificate nevertheless may be countersigned and delivered as though the person who signed such Warrant Certificate had not ceased to be such officer of the Company; and the Warrant Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Warrant Certificate, shall be a proper officer of the Company to sign such Warrant Certificate, although at the date of the execution of this Warrant Agreement any such person was not such officer.

SECTION 1.03. Warrant Certificates. Each Warrant Certificate, when signed on behalf of the Company in accordance with Section 1.02, shall be delivered to the Warrant Agent, which shall manually countersign and deliver the same to or upon the order of the Company. Each Warrant Certificate shall be dated the date of its countersignature. A Warrant Certificate shall not be valid for any purpose, and no Warrant evidenced thereby shall be exercisable, unless and until such Warrant Certificate has been countersigned by

9

4

the manual signature of the Warrant Agent. Such countersignature by the Warrant Agent upon any Warrant Certificate signed by the Company in accordance with Section 1.02 shall be conclusive evidence that the Warrant Certificate so countersigned has been duly issued hereunder.

SECTION 1.04. Registration of Transfers and Exchanges.

(a) Except as otherwise provided herein or in the Warrant Certificate, the Warrant Agent shall from time to time register the transfer of any outstanding Warrant Certificates upon the records to be maintained by it for that purpose (the "Warrant Register") at the Warrant Agent's Office (as defined herein), subject to such reasonable regulations as the Company or the Warrant Agent may prescribe, upon surrender thereof, duly endorsed, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent and the Company, duly executed, by the registered holder(s) thereof or by the duly appointed legal representative thereof or by a duly authorized attorney, such signature to be guaranteed by a bank or trust company with a correspondent office in The City of New York or by a member of a national securities exchange. Upon any such registration of transfer, a new Warrant Certificate shall be issued to the transferee(s) and the surrendered Warrant Certificate shall be canceled by the Warrant Agent.

(b) At the option of a Warrantholder, Warrant Certificates may be exchanged for other Warrant Certificates, representing a like number of Warrants, upon surrender to the Warrant Agent of the

Warrant Certificates to be exchanged at its offices maintained for such purpose (the location of which shall be provided to the Company), which shall be south of Chambers Street in the Borough of Manhattan, The City of New York (the "Warrant Agent's Office"), and which are, on the date of this Agreement, 111 Wall Street, New York, New York 10043, Attention: Corporate Trust Department, or at the office of any successor Warrant Agent (as provided in Section 5.03). Upon surrender of any Warrant Certificate for exchange, the Warrant Agent shall cancel such Warrant Certificate, and the Company shall execute, and the Warrant Agent shall countersign and deliver, in accordance with Sections 1.02 and 1.03, one or more new Warrant Certificates of like tenor and representing a like number of unexercised Warrants.

(c) Warrant Certificates issued upon transfer or exchange pursuant to Section 1.04(a) or (b) shall be valid obligations of the Company, evidencing the same obligations of the Company as the Warrant Certificates surrendered for transfer or exchange, and entitled to the same benefits

10

5

under this Agreement as were such Warrant Certificates prior to such surrender.

(d) Except as provided in Section 1.05, no service charge shall be made for any registration of transfer or exchange of Warrant Certificates, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates, other than exchanges pursuant to this Section 1.04 not involving any transfer.

(e) In the event that upon any exercise of Warrants evidenced by a Warrant Certificate the number of Warrants exercised shall be less than the total number of Warrants evidenced by such Warrant Certificate, there shall be issued to the holder thereof or his assignee a new Warrant Certificate evidencing the number of Warrants not exercised.

#### SECTION 1.05. Mutilated or Missing Warrant Certificates.

(a) If any Warrant Certificate is mutilated, lost, stolen or destroyed, the Company may in its discretion execute, and the Warrant Agent may countersign and deliver, in exchange and substitution for and upon cancellation of the mutilated Warrant Certificate, or in lieu of the Warrant Certificate lost, stolen or destroyed, a new Warrant Certificate of like tenor and representing an equivalent number of Warrants, bearing an identification number not contemporaneously outstanding, but only (in case of loss, theft or destruction) upon receipt of evidence satisfactory to the Company and the Warrant Agent of such loss, theft or destruction of such Warrant Certificate and security or indemnity, if requested, also

satisfactory to them. Applicants for such substitute Warrant Certificates shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company or the Warrant Agent may prescribe.

(b) In case any such mutilated, lost, stolen or destroyed Warrant Certificate has been or is about to be exercised, or deemed to be exercised, the Company in its absolute discretion may, instead of issuing a new Warrant Certificate, direct the Warrant Agent to treat the same as if it had received irrevocable notice of exercise in proper form in respect thereof, as provided herein, or as being subject to automatic exercise, as the case may be.

(c) Each new Warrant Certificate issued pursuant to this Section 1.05 in lieu of any lost, stolen or destroyed Warrant Certificate shall be an original, addi-

11

6

tional contractual obligation of the Company, whether or not, in the case of any lost, stolen or destroyed Warrant Certificate, such Warrant Certificate shall at any time be enforceable by anyone, and shall be entitled to the same benefits under this Agreement as the Warrant Certificate that was lost, stolen or destroyed.

(d) Upon the issuance of any new Warrant Certificate in accordance with this Section 1.05, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Warrant Agent) connected therewith.

(e) The provisions of this Section 1.05 are exclusive and shall preclude (to the extent lawful) any other rights and remedies with respect to the replacement or payment of mutilated, lost, stolen or destroyed Warrant Certificates.

SECTION 1.06. Registered Holders. Prior to due presentment for registration of transfer, the Company, the Warrant Agent, and any agent of the Company or the Warrant Agent, may deem and treat the person in whose name a Warrant Certificate shall be registered in the Warrant Register (a "Registered Holder") as the absolute owner of the Warrants evidenced thereby (notwithstanding any notation of ownership or other writing thereon) for any purpose whatsoever, and as the person entitled to exercise the rights represented by the Warrants evidenced thereby, and neither the Company nor the Warrant Agent, nor any agent of the Company or the Warrant Agent, shall be affected by any notice to the contrary. This Section 1.06 shall be without prejudice to the rights of Warrantholders as described elsewhere herein.

SECTION 1.07. Global Warrant Certificate. (a) Any



Global Warrant Certificate issued in accordance with this Section 1.07 shall be substantially in the form set forth in Exhibit A-1 hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement, and may represent any number of whole Warrants. The Global Warrant Certificate may have imprinted or otherwise reproduced thereon such letters, numbers or other marks of identification or designation and such legends or endorsements as the officers of the Company executing the same may approve (execution thereof to be conclusive evidence of such approval) and which are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto, or with any rule or regulation of any stock exchange on which

12

7

the Warrants may be listed or of any Depository referred to herein, or to conform to usage. The Global Warrant Certificate shall be signed on behalf of the Company upon the same conditions, in substantially the same manner and with the same effect as the Warrant Certificates.

(b) The Warrant Agent is authorized, from time to time during the Conversion Option Period, upon receipt of a Global Warrant Certificate from the Company, duly executed on behalf of the Company, to countersign such Global Warrant Certificate. The Global Warrant Certificate shall be manually countersigned and dated the date of its countersignature by the Warrant Agent and shall not be valid for any purpose unless so countersigned. The Warrant Agent shall deliver the Global Warrant Certificate to or upon the order of the Company against receipt of an appropriate amount of Certificated Warrants (such Certificated Warrants shall be destroyed or otherwise disposed of in accordance with instructions provided by the Company). One or more Global Warrant Certificates may be executed by the Company and delivered to the Warrant Agent on or after the date of execution of this Agreement; provided that only one Global Warrant Certificate shall be outstanding at any one time.

The Company reserves the right to issue, from time to time after the date of execution of this Agreement, additional Warrants, which Warrants shall in all respects be identical to Warrants previously issued and outstanding under this Agreement, and in connection therewith the Global Warrant Certificate may be exchanged for a new Global Warrant Certificate to reflect the issuance by the Company of such additional Warrants. To effect such an exchange the Company shall deliver to the Warrant Agent a new Global Warrant Certificate duly executed on behalf of the Company as provided in Section 1.02. The Warrant Agent shall authenticate the new Global Warrant Certificate as provided in this Section and shall deliver the new Global Warrant Certificate to the Depository in exchange for, and upon receipt of, the Global Warrant Certificate then held by the Depository. The Warrant Agent shall cancel the Global Warrant

Certificate delivered to it by the Depository, destroy such Global Warrant Certificate and provide a certificate of destruction to the Company.

(c) The Global Warrant Certificate will initially be registered in the name of a nominee of The Depository Trust Company, New York, New York (the "Depository", which term, as used herein, includes any successor securities depository selected by the Company). The Warrant holdings of the Participants will be recorded on the books of the Depository. The holdings of customers of the Participants

13

8

and the identity of the Warrantholders will be reflected on the books and records of such Participants and will not be known to the Warrant Agent, the Company or the Depository. The Global Warrant Certificate will be held by the Depository or its agent.

The Company may from time to time select a new entity to act as Depository with respect to the Warrants and, if such selection is made, the Company shall promptly give the Warrant Agent notice to such effect identifying the new Depository, and the Global Warrant Certificate shall be delivered to the Warrant Agent and shall be transferred to the new Depository as provided below as promptly as possible. Appropriate changes may be made in the forms of the Global Warrant Certificate, the notice of exercise and the related notices to be delivered in connection with an exercise to reflect the selection of the new Depository.

(d) Except as otherwise provided herein or in the Global Warrant Certificate, the Warrant Agent shall from time to time register the transfer of the Global Warrant Certificate in its records (which may be maintained electronically), subject to such reasonable regulations as the Company or the Warrant Agent may prescribe, only to the Depository, to another nominee of the Depository, to a successor Depository or to a nominee of a successor Depository, upon surrender of such Global Warrant Certificate, duly endorsed, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent and the Company, duly executed, by the registered holder thereof or by the duly appointed legal representative thereof, or by its duly authorized attorney, such signature to be guaranteed by a bank or trust company with a correspondent office in The City of New York or by a member of a national securities exchange. Upon any such registration of transfer, a new Global Warrant Certificate shall be issued to the transferee and the surrendered Global Warrant Certificate shall be canceled by the Warrant Agent.

The Global Warrant Certificate may be transferred as provided above at the option of the holder thereof, when surrendered to the Warrant Agent's Office, or at the office of any successor Warrant Agent (as provided in Section 5.03), for another Global Warrant Certificate of like

ARTICLE II

DURATION AND EXERCISE OF WARRANTS

SECTION 2.01. Duration of Warrants; Minimum Exercise Amounts; Notice of Exercise. Subject to the limitations set forth herein and in Section 2.03, each Warrant may be irrevocably exercised, in whole but not in part, at or prior to 3:00 p.m., New York City time, on any New York Business Day (as defined herein) from its date of issuance until 3:00 p.m., New York City time, on the earlier of (i) the New York Business Day immediately preceding January 17, 1996 (the "Expiration Date"), and (ii) the Delisting Date (as defined herein). Except in the case of automatic exercise, each Warrant shall be irrevocably exercised either (i) in the case of Warrants represented by Warrant Certificates ("Certificated Warrants"), including Certificated Warrants held through CEDEL (as defined herein) or Euroclear (as defined herein), by surrender to the Warrant Agent (at its address as set forth in the Notice of Exercise (as defined below) or at such other address as the Warrant Agent may specify from time to time) of the Warrant Certificate representing such Warrant, with the Notice of Exercise duly completed and executed by the Registered Holder of such Warrant (or, in the case of Certificated Warrants held through the facilities of CEDEL or Euroclear, by CEDEL or a Euroclear participant, as the case may be) or (ii) in the case of Warrants represented by the Global Warrant Certificate ("Book-Entry Warrants") upon receipt by the Warrant Agent of such Warrant delivered free on the records of the Depository to the Warrant Agent's Depository Participant Account (entitled Citibank, N.A. Corporate Trust Warrant Agent Account, No. 2659, or such other account at the Depository as the Warrant Agent shall designate in writing to the Depository) (the "Warrant Account") pursuant to a Notice of Exercise to the Warrant Agent from a Participant, in the case of Book-Entry Warrants held through the Depository, CEDEL, in the case of such Warrants held through CEDEL, or a Euroclear participant, in the case of such Warrants held through Euroclear, acting, directly or indirectly, on behalf of the Warrantholder; provided, however, that Notices of Exercise are subject to rejection by the Warrant Agent as provided herein. Not fewer than 500 Warrants in either certificated or book-entry form may be exercised by or on behalf of any one Warrantholder at any one time, except that no such minimum exercise amount shall apply in the case of automatic exercise on the Expiration Date or the Delisting Date, or in the case of cancellation of the Warrants as a result of an Extraordinary Event (as defined herein). Each Notice of Exercise shall be unconditional. Except as provided in Section 2.02(b), the

Warrant Agent shall be entitled, with no duty of inquiry, to rely conclusively on any Notice of Exercise received by it. "Notice of Exercise" means an irrevocable notice of exercise to the Warrant Agent at its address, which notice (A) for Certificated Warrants, shall be on the reverse of the Warrant Certificate or such other form as the Company and the Warrant Agent may approve, and (B) for Book-Entry Warrants, shall be substantially in the form set forth in Exhibit A-2 hereto or such other form as the Company and the Warrant Agent may approve and may be given by facsimile transmission. For purposes of this Agreement, "New York Business Day" means any day other than a Saturday, Sunday or a day on which either the American Stock Exchange or the New York Stock Exchange is not open for securities trading or commercial banks in New York City are required or authorized by law or executive order to remain closed.

SECTION 2.02. Exercise and Delivery of Warrants. (a) Except in the case of exercise on the Expiration Date or the Delisting Date, or in the event an Extraordinary Event or Exercise Limitation Event is declared, or in the case of a postponement pursuant to Section 2.04, or as a result of the exercise of a number of Warrants exceeding the limits on exercise set forth in Section 2.04, the valuation date (the "Valuation Date") for a Warrant shall be the first Index Calculation Date (as defined herein) following the applicable Exercise Date (as defined herein). The "Exercise Date" for a Warrant will be the New York Business Day on which the Warrant Agent has received (A) in the case of Warrants other than those held through the facilities of Centrale de Livraison de Valeurs Mobilieres S.A. ("CEDEL") or the Euroclear System ("Euroclear"), either (i) for Certificated Warrants, the Warrant Certificate representing such Warrant, with the Notice of Exercise or (ii) for Book-Entry Warrants, the Warrant with the Notice of Exercise duly completed and executed, in either case, at or prior to 3:00 p.m., New York City time (the "Notice Date"); and if the Warrant Agent shall receive any such Warrant Certificate or Warrant or Notice of Exercise after 3:00 p.m., New York City time, on such date, then such Warrant Certificate or Warrant shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index Calculation Date following the New York Business Day on which the Warrant Agent is deemed to have received such Warrant Certificate or Warrant together with the Notice of Exercise or (B) in the case of Warrants held through the facilities of CEDEL or Euroclear, the Notice of Exercise (by facsimile transmission) at or prior to 3:00 p.m., New York City time; provided that the Warrant or Warrant Certificate

is received by the Warrant Agent by 3:00 p.m., New York City time, on the

applicable Valuation Date; and if the Warrant Agent shall receive such Notice of Exercise after 3:00 p.m., New York City time, on any New York Business Day, then the Notice of Exercise shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index Calculation Date following the New York Business Day on which the Warrant Agent is deemed to have received such Notice of Exercise; provided, that if the Warrant Agent receives the Warrant or Warrant Certificate after 3:00 p.m., New York City time, on the Valuation Date, then the Exercise Date for such Warrant shall be the day on which such Warrant is received or, if such day is not a New York Business Day, the next succeeding New York Business Day, and the Valuation Date for such Warrant shall be the first Index Calculation Date following such Exercise Date; provided, further, however that in the case of exercises by Euroclear participants, Euroclear must by tested telex to the Warrant Agent by 9:00 a.m., New York City time, on the Valuation Date confirm (a "Euroclear Confirmation") that the Warrants will be received by the Warrant Agent by 3:00 p.m., New York City time, on such Date. If such Euroclear Confirmation is received after 9:00 a.m., New York City time, on the Valuation Date, the Company will be entitled to direct the Warrant Agent to reject the related Notice of Exercise or waive the requirement for timely delivery of such Euroclear Confirmation. Any Warrant Certificate or Warrant received after 3:00 p.m., New York City time, on (i) the New York Business Day immediately preceding the Expiration Date or (ii) the last New York Business Day prior to the effective date on which the Warrants are delisted from, or permanently suspended from trading (within the meaning of the Securities Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission thereunder) on, the American Stock Exchange and not accepted at the same time for listing on another United States national securities exchange (such New York Business Day being the "Delisting Date") (or, in the case of Warrants held through the facilities of CEDEL or Euroclear, after 3:00 p.m., New York City time, on the first Index Calculation Date following such Dates), shall be deemed not to have been delivered and the related Notice of Exercise shall be void and of no effect; provided, however, that if the Company first receives notice of the delisting or suspension of the Warrants on the same day on which such Warrants are delisted or suspended, such day will be deemed the Delisting Date for purposes of this Agreement. For purposes of this Agreement, "Index Calculation Date" means

17

12

any day the Index (as herein defined) or any Successor Index (as herein defined) is calculated and published.

(b) The Warrant Agent shall, in the case of Warrants other than Warrants held through CEDEL or Euroclear, following receipt of proper delivery of a Warrant in accordance with Section 2.02(a), accompanied by a completed Notice of Exercise, and, in the case of Warrants

held through CEDEL or Euroclear, following receipt of proper delivery of a completed Notice of Exercise in accordance with Section 2.02(a):

(i) promptly (1) for Certificated Warrants not held through CEDEL or Euroclear, determine whether such Notice of Exercise has been duly completed and is in proper form duly executed by the Registered Holder thereof or by the duly appointed legal representative thereof or by a duly authorized attorney, (2) for Certificated Warrants held through CEDEL or Euroclear, determine whether such Notice of Exercise has been duly completed and is in proper form duly executed by CEDEL or the Euroclear participant tendering such Warrant, as applicable, (3) for Book-Entry Warrants not held through CEDEL or Euroclear, determine whether such Notice of Exercise has been duly completed and is in proper form and (4) for Book-Entry Warrants held through CEDEL or Euroclear, determine whether such Notice of Exercise has been duly completed and is in proper form duly executed by CEDEL or the Euroclear participant tendering such Warrant, as applicable; and if the Warrant Agent determines that the Notice of Exercise has not been duly completed or is not in proper form or, in the case of Certificated Warrants, has not been so executed, the Warrant Agent promptly (X) shall reject such Notice of Exercise and shall send to the entity that executed such Notice of Exercise a notice of rejection substantially in the form set forth in Exhibit B or Exhibit B-1 hereto, as the case may be, and, in the case of Certificated Warrants, shall return to the Registered Holder that submitted such Notice of Exercise, by first class mail, the Warrant Certificates evidencing such Warrants (to the extent received, in the case of Warrants held through CEDEL or Euroclear), or, in the case of Book-Entry Warrants, shall redeliver such Warrants (to the extent received in the case of Warrants held through CEDEL or Euroclear) free through the facilities of the Depository to the account from which they were transferred to the Warrant Agent and (Y) in either case, shall not take the actions required by clauses (ii)-(ix) below with respect to such Notice of Exercise or the related Warrants; provided, however,

18

13

that the Warrant Agent shall deliver a copy of the Notice of Exercise relating to such Warrants to the Company as required by Section 2.02(b) (ix) below and the Company may waive any defect in the form of such Notice of Exercise;

(ii) promptly telephone Euroclear to determine whether Euroclear anticipates that it will be able to provide a Euroclear Confirmation with respect to each Warrant held



through Euroclear for which a Notice of Exercise was received;

(iii) notify the Company and the Determination Agent (and such other parties (not to exceed two) as the Company shall designate in writing) by 5:00 p.m., New York City time, on the New York Business Day that such Notice of Exercise has been received (or shall be deemed to have been received) of (A) the total number of Warrants covered by such Notice of Exercise, (B) the number of such Warrants subject to the Limit Option (as defined herein) ("Contingently Tendered Warrants"), (C) the number of such Warrants not subject to the Limit Option and (D) the number of such Warrants, if any, as to which Euroclear has not advised the Warrant Agent that it anticipates being able to provide a Euroclear Confirmation;

(iv) with respect to Warrants held through Euroclear, determine whether the Warrant Agent has received by 9:00 a.m., New York City time, on the Valuation Date relating to such Warrants (or if the Valuation Date is not a New York Business Day, on the next succeeding New York Business Day), Euroclear Confirmations with respect to such Warrants, and if the Warrant Agent has not received any such Euroclear Confirmation by such time, notify the Company (and such other parties (not to exceed two) as the Company shall designate in writing) by 10:00 a.m., New York City time, on such Valuation Date (or if the Valuation Date is not a New York Business Day on the next succeeding New York Business Day) of the number of such Warrants in respect of which the Warrant Agent has not received such Euroclear Confirmations and (except to the extent the Company has notified the Warrant Agent that it has waived the timing requirement of timely delivery of such Euroclear Confirmation) send to the Euroclear participant that executed such Notice of Exercise for which no related Euroclear Confirmation was received (at the address specified in such notice) a notice of rejection substantially in the form set forth in Exhibit B or Exhibit B-1 hereto, as the case may be;

19

14

(v) if any of the Warrants covered by such Notice of Exercise constitute Contingently Tendered Warrants, the Warrant Agent shall, by 5:00 p.m., New York City time, on the Valuation Date, (or, if such Valuation Date is not a New York Business Day, on the next succeeding New York Business Day) (A) determine the Reference Index (as defined herein) for such Warrants and the Spot Index (as defined herein) for the Index Calculation Date that, but for the provisions of Section 2.02(h), would be the Valuation Date for such Warrants; (B)

determine in accordance with Section 2.02(h) whether such Contingently Tendered Warrants will be subject to exercise after giving effect to the Limit Option and, if such Warrants will not be subject to exercise, send to the Registered Holder (or the entity that executed the Notice of Exercise, in the case of Certificated Warrants held through CEDEL or Euroclear), in the case of Certificated Warrants, or to the Participant, in the case of Book-Entry Warrants, that submitted such Notice of Exercise a notice of rejection substantially in the form set forth in Exhibit C-1 or Exhibit C-2 hereto, as appropriate, with respect to such Warrants and return to the Registered Holder (or the entity that executed the Notice of Exercise, in the case of Certificated Warrants held through CEDEL or Euroclear) that submitted such Notice of Exercise, by first class mail, the Warrant Certificates (to the extent received, in the case of Warrants held through CEDEL or Euroclear) evidencing such Warrants, or, in the case of Book-Entry Warrants (to the extent received, in the case of Warrants held through CEDEL or Euroclear), redeliver the Warrants free through the facilities of the Depository to the account of such Participant; and (C) notify the Company and the Determination Agent as to whether such Contingently Exercised Warrants will be subject to exercise;

(vi) by 5:00 p.m., New York City time, on the Valuation Date (or, if such Valuation Date is not a New York Business Day, on the next succeeding New York Business Day) (A) determine the sum of (1) the number of such Warrants not subject to the Limit Option (i.e., the number of Warrants determined pursuant to clause (iii)(C) above) plus (2) the number of such Warrants that are Contingently Exercised Warrants that will be subject to exercise notwithstanding the Limit Option (i.e., the number of Warrants so identified pursuant to clause (v)(B) above) (all of such Warrants, the "Exercised Warrants") and (B) notify the Company and the Determination Agent of the total number of Exercised Warrants so determined (if such number is zero, the Warrant Agent shall not take the actions required by

20

15

clauses (vii) and (viii) with respect to such Notice of Exercise or the related Warrants);

(vii) calculate the Cash Settlement Value of the Exercised Warrants (excluding any Warrants held through CEDEL or Euroclear as to which timely delivery of the related Warrant has not been made) as of their Valuation Date in the manner set forth in Section 2.02(d) by no later than 5:00 p.m., New York



City time, on the New York Business Day next succeeding the Valuation Date (or, if such Valuation Date is not a New York Business Day, on the next succeeding New York Business Day) (unless the Cash Settlement Value shall be calculated by the Determination Agent);

(viii) notify the Company (and such other parties (not to exceed two) as the Company shall designate in writing) by 12:00 noon, New York City time, on the New York Business Day next succeeding the Valuation Date (or, if such Valuation Date is not a New York Business Day, on the New York Business Day following the New York Business Day next succeeding the Valuation Date) of the Cash Settlement Value payable in respect of the exercise of such Exercised Warrants, and send notices of confirmation substantially in the form included in Exhibit B or Exhibit B-1 hereto, as the case may be, to the appropriate Registered Holder (or the entity that executed the related Notice of Exercise, in the case of Certificated Warrants held through CEDEL or Euroclear) or Participant specifying therein the reference number assigned by the Warrant Agent to each accepted Notice of Exercise; and

(ix) promptly deliver a copy of each Notice of Exercise to the Company and advise the Company of such other matters relating to the Exercised Warrants as the Company shall reasonably request. Any notice to be given to the Company by the Warrant Agent pursuant to this Section 2.02 or Section 2.03 shall be by telephone (promptly confirmed in writing) or telecopy.

Except in the case of Warrants subject to automatic exercise and for Warrants that upon exercise entitle the holder thereof to receive an Alternative Settlement Amount in lieu of the Cash Settlement Value, if on any Valuation Date the Cash Settlement Value for any Warrants then exercised would be zero, then in such case, the exercise of such Warrants shall be ignored and either (i) for Certificated Warrants, the Warrant Certificate evidencing such Warrants (to the extent received, in the case of Warrants held through CEDEL or Euroclear) shall be promptly

returned by the Warrant Agent to the Registered Holder (or the entity that executed the related Notice of Exercise, in the case of Certificated Warrants held through CEDEL or Euroclear) by first class mail or (ii) for Book-Entry Warrants, the Warrants will be transferred by the Warrant Agent back to the Participant that submitted them free on the records of the Depository (to the extent received, in the case of Warrants held through CEDEL or Euroclear) and, in either case such Warrantholder shall be permitted to exercise such Warrants prior to the Expiration Date or the

Delisting Date, as the case may be.

(c) Provided that the Company has made adequate funds available to the Warrant Agent in a timely manner, which shall (a) in the case of Warrants not held through the facilities of the Depository, CEDEL or Euroclear, in no event be later than 3:00 p.m., New York City time, on the fifth New York Business Day following a Valuation Date (or, if the Valuation Date is not a New York Business Day, on the fifth New York Business Day following the New York Business Day next succeeding the Valuation Date) and (b) in the case of Warrants held through the facilities of the Depository, CEDEL or Euroclear, in no event be later than 3:00 p.m., New York City time, on the sixth New York Business Day following a Valuation Date (or, if the Valuation Date is not a New York Business Day, on the sixth New York Business Day following the New York Business Day next succeeding the Valuation Date) (the "Settlement Date"), the Warrant Agent will be responsible for making its payment available either (i) for Certificated Warrants, to each appropriate Registered Holder in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar account maintained by such Registered Holder in the United States (at such Registered Holder's election as specified in the applicable Notice of Exercise), after 3:00 p.m., New York City time, but prior to the close of business, on the first New York Business Day immediately succeeding such Settlement Date or (ii) for Book-Entry Warrants, to each appropriate Participant in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. Dollar account maintained by such Participant in the United States (at the Participant's election as specified in the Notice of Exercise), after 3:00 p.m., New York City time, but prior to the close of business, on the first New York Business Day immediately succeeding such Settlement Date. For either clause (i) or (ii) above, such payment shall be in the amount of the aggregate Cash Settlement Value in respect of the Warrant Certificates or Warrants that were delivered to

22

17

the Warrant Agent (together with the related Notice of Exercise) as provided in Sections 2.01 and 2.02(a) and (b).

(d) The "Cash Settlement Value" of an exercised Warrant shall be an amount in U.S. dollars equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the closing level of the Index, as compiled and published by the AMEX, on the applicable Valuation Date for such Warrant (the "Spot Index"), exceeds \_\_\_\_\_ (the "Strike Index"), divided by (B) three, divided by (C) the exchange rate of H.K. \$ \_\_\_\_\_ per \$1.00; provided, however, that if such amount is less than zero, then the Cash Settlement Value shall be zero.

The "Index" is the AMEX Hong Kong 30 Index designed,

developed, maintained and operated by the American Stock Exchange (the "AMEX"). References in this Agreement to "U.S. dollars", "U.S.\$" or "\$" are to the lawful currency of the United States of America, and references to "Hong Kong dollars" or "H.K.\$" are to the lawful currency of Hong Kong.

(e) In the event a Global Warrant Certificate is issued, the Warrant Agent shall cause its records, which may be kept electronically, to be marked to reflect the reduction in the number of Warrants represented by the Global Warrant Certificate by the number of Warrants that were delivered to the Warrant Account and for which payment has been made as provided in Section 2.02(c) promptly after such delivery and payment. Absent manifest error, the Warrant Agent's records shall be conclusive evidence of such matters.

(f) The Company hereby appoints PaineWebber Incorporated, and PaineWebber Incorporated accepts such appointment, to be the Company's Determination Agent to make such calculations as may be required upon the occurrence of any of the circumstances described in Section 2.02(g) or 2.03, including, without limitation, calculation of the Cash Settlement Value or the Alternative Settlement Amount, as applicable, of a Warrant. The Determination Agent shall act as an independent expert and not as an agent of the Company, and, unless otherwise provided by this Agreement, its calculations and determinations under this Agreement shall, absent manifest error, be final and binding on the Company, the Warrant Agent, the Warrantheolders and any Participant. Any such calculations will be made available to a Warrantheolder for inspection at the Warrant Agent's Office.

The Company agrees, for the benefit of the Warrantheolders from time to time of the Warrants, that there

shall at all times be a Determination Agent hereunder until all the Warrants are no longer outstanding or until moneys for the payment of all outstanding Warrants, if any, shall have been paid to the Warrant Agent and shall have been returned to the Company as provided in Section 2.06, whichever occurs earlier. Resignation, removal and appointment of the Determination Agent shall be in accordance with the procedures set forth for the resignation, removal and appointment of the Warrant Agent, as provided in Section 5.03, except that a successor Determination Agent need not be a banking institution with offices south of Chambers Street in the Borough of Manhattan, The City of New York, and may only be appointed if such successor has been nominated by the Company and approved by the predecessor Determination Agent.

The Company agrees promptly to pay the Determination Agent the compensation to be agreed upon with the Company for all services rendered by the Determination Agent hereunder. The Company also agrees to

indemnify the Determination Agent for, and to hold it harmless against, any loss, liability, cost or expense (including reasonable attorneys' fees and expenses) incurred by the Determination Agent by reason of its being made a party to a suit or claim arising out of this Agreement; provided, however, that such indemnity shall in no event apply to the extent that any such loss, liability, cost or expense is a result of the negligence, bad faith or breach of this Agreement on its part in connection with the services rendered by it hereunder. The indemnity obligation of the Company shall continue notwithstanding the termination of this Agreement or the resignation or removal of the Determination Agent.

(g) In the event that the Index is not calculated and publicly announced by the AMEX on a Valuation Date but is calculated and publicly announced by another person or party not affiliated with the Company and acceptable to the Company (the "Third Party"), the applicable Cash Settlement Value shall nevertheless be calculated by reference to the value of the closing quotation for the Index so announced by the Third Party.

In the event that prior to a Valuation Date the AMEX or the Third Party makes a material change in the formula for, or the method of calculating the Index, the Determination Agent shall make such calculations as may be required to determine the applicable Cash Settlement Value using the formula and method of calculating the Index as was in effect prior to such change or modification.

24

19

If on a Valuation Date either the AMEX or any Third Party discontinues publication of the Index and publishes a successor or substitute index that the Company determines, in its sole discretion, to be comparable to the Index (any such index being a "Successor Index"), the Determination Agent shall determine the Spot Index for any date thereafter based on the closing level of the Successor Index on such date. If the AMEX and/or any Third Party discontinues publication of the Index and/or any Successor Index, the Company will cause the Determination Agent to determine the applicable Cash Settlement Value based on the formula and method used in calculating the Index or any Successor Index as in effect on the date the Index or such Successor Index was last published.

If calculation or publication of the Index or a Successor Index is modified, discontinued or suspended, as provided in this Section 2.02(g), then the Determination Agent shall promptly notify the Warrant Agent, and the Warrant Agent shall in turn promptly notify the Warrant-holders in accordance with Section 6.04 hereof, of such modification, discontinuance or suspension and of any modification or adjustment to be made with respect to calculation of the Cash Settlement Value or Alternative Settlement Amount, as applicable.

The Determination Agent will have no responsibility for good faith errors or omissions in calculating or disseminating information regarding the Index, any Successor Index, adjustments or calculations by the Determination Agent (as provided above) in order to arrive at a calculation of a stock index comparable to the Index or any Successor Index, or the Cash Settlement Value or the Alternative Settlement Amount, as applicable.

(h) Except in the case of an automatic exercise (as provided in Section 2.03 below) and except upon the occurrence of an Extraordinary Event as a result of which an Alternative Settlement Amount is payable (as provided in Section 2.03 below) in connection with any exercise of Warrants, the related Notice of Exercise may specify that such exercise (including any exercise following a postponed Valuation Date pursuant to Section 2.03(b), if the Cash Settlement Value is to be paid with respect to such Warrants), be subject to the condition that the Spot Index that would otherwise be used to determine the Cash Settlement Value of such Warrants not be 20 or more points lower than the Reference Index for such Warrants. "Reference Index", with respect to any Contingently Tendered Warrants, means the Spot Index on the New York Business Day that such Notice of Exercise has been received (or shall be deemed to have

25

20

been received) (or, if such New York Business Day is not an Index Calculation Date, on the first Index Calculation Date preceding such New York Business Day). The option of a Warrantholder to condition an exercise of Warrants as provided in this Section 2.02(h) is herein referred to as the "Limit Option". If a Warrantholder elects the Limit Option in connection with any exercise of Warrants, the following provisions shall apply:

(i) To be valid, such election must be specified in the related Notice of Exercise. Each of the Warrant Agent and the Company shall be entitled to rely conclusively on such Notice of Exercise, as received by the Warrant Agent, in determining whether such election has been validly made. In connection with any exercise of 500 or more Warrants, a Warrantholder may elect to subject only a portion of such Warrants to the Limit Option; provided that the number of such Warrants subject to the Limit Option and the number of such Warrants not subject to the Limit Option shall in each case not be less than 500. Registered Holders and Participants shall be required to certify that the number of Warrants exercised on behalf of any Warrantholder pursuant to the related Notice of Exercise that are subject to the Limit Option is an amount that is not less than 500.

(ii) The Reference Index shall be determined by the

Warrant Agent, which determination shall be conclusive and binding for all purposes relating to such exercise.

(iii) In the event that the Spot Index for the first Index Calculation Date following the New York Business Day that such Notice of Exercise has been received (or shall be deemed to have been received) (i.e., for the day that, but for the provisions of Section 2.02(h), would be the Valuation Date for such Warrants) is 20 or more points lower than the Reference Index for such Warrants, such Warrants (A) shall not be subject to exercise and shall be treated for all purposes of this Agreement and the Warrant Certificates and Global Warrant Certificate as if the related Notice of Exercise had never been received by the Warrant Agent, and (B) shall not constitute "Exercised Warrants" for purposes of Section 2.02(b). If such Spot Index is not 20 or more points lower than such Reference Index, such Warrants shall be subject to exercise as provided in this Section 2.02 and shall be deemed to be "Exercised Warrants" for such purposes. The Warrant

26

21

Agent's determination shall be conclusive and binding for all purposes relating to such Warrants.

(iv) Except as provided in Section 2.03(b), the Limit Option (based on the Reference Index as determined for the New York Business Day that such Notice of Exercise has been received (or shall be deemed to have been received) or, if applicable, the first Index Calculation Date preceding such New York Business Day) shall continue to be applicable to any Exercised Warrant for which the Valuation Date has been postponed as a result of the occurrence of an Extraordinary Event or an Exercise Limitation Event until the Warrants are canceled as provided in Section 2.03(b) or until the Expiration Date or the Delisting Date.

SECTION 2.03. Automatic Exercise of Warrants; Exercise upon an Extraordinary Event or Exercise Limitation Event. (a) All Warrants for which the Warrant Agent has not received a Notice of Exercise in proper form by 3:00 p.m., New York City time, on (i) the New York Business Day immediately preceding the Expiration Date or (ii) the Delisting Date, as the case may be, or for which the Warrant Agent has received a Notice of Exercise in proper form but with respect to which timely delivery of the relevant Warrants has not been made, and which have not been canceled prior to such time, will be deemed automatically exercised on such date without any requirement of a Notice of Exercise to the Warrant Agent. The Exercise Date for such Warrants shall be the

Expiration Date or the Delisting Date, as the case may be, or, if such Date is not a New York Business Day, the next succeeding New York Business Day, and the Valuation Date for such Warrants shall be the first Index Calculation Date following the Exercise Date for such Warrants.

The Warrant Agent shall by 5:00 p.m., New York City time, on the Expiration Date or the Delisting Date, as the case may be, (or if such date is not a New York Business Day, on the next succeeding New York Business Day) notify the Company (and such other parties (not to exceed two) as the Company shall designate in writing) of the number of Warrants to be automatically exercised on such day. On the Valuation Date for such Warrants (or, if such Valuation Date is not a New York Business Day, on the next succeeding New York Business Day), the Warrant Agent shall (i) determine the Cash Settlement Value (in the manner provided in Section 2.02(d)) of the Warrants to be automatically exercised; (ii) by 5:00 p.m., New York City time, on the New York Business Day next succeeding such Valuation Date, notify the Company (and such other parties (not to exceed two) as the Company

27

22

shall designate in writing) of the Cash Settlement Value payable in respect of such exercised Warrants; and (iii) advise the Company of such other matters relating to the exercised Warrants as the Company shall reasonably request.

If the Company determines that an Extraordinary Event or an Exercise Limitation Event (as defined herein) has occurred and is continuing on the Expiration Date or the Delisting Date, the Company shall so notify the Warrant Agent and the Determination Agent, and the Cash Settlement Value with respect to the exercised Warrants shall be equal to, and be calculated in the same manner as, an "Alternative Settlement Amount", in accordance with Section 2.03(b) herein (treating the Expiration Date or the Delisting Date, as the case may be, as the date on which the Warrants were canceled for the purposes of Section 2.03(b)).

With respect to all Warrants subject to automatic exercise (other than Book-entry Warrants and Warrants subject to postponed exercise following the occurrence of an Extraordinary Event or an Exercise Limitation Event as described in Section 2.03(b)), the Company shall make available to the Warrant Agent, not later than 3:00 p.m., New York City time, on the fourth New York Business Day following the Valuation Date for automatically exercised Warrants (or if such Valuation Date is not a New York Business Day, on the fourth New York Business Day following the New York Business Day next succeeding the Valuation Date) (in any such case, the "Automatic Settlement Date"), funds in an amount equal to, and for the payment of, the aggregate Cash Settlement Value of such Warrants. Subject to such funds having been made available as provided in the preceding



sentence, the Warrant Agent will be responsible for making its payment available to the appropriate Registered Holder in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar account maintained by such Registered Holder in the United States (at such Registered Holder's election), after 3:00 p.m., New York City time, but prior to the close of business, on the Automatic Settlement Date, against receipt by the Warrant Agent at the Warrant Agent's Office from such Registered Holder of its Warrant Certificates. Such payment shall be in the amount of the aggregate Cash Settlement Value in respect of the Warrants, evidenced by such Warrant Certificates, that were exercised automatically on the Expiration Date or the Delisting Date, as the case may be. Warrant Certificates delivered to the Warrant Agent shall thereafter be promptly canceled by the Warrant Agent.

28

23

In the case of Book-Entry Warrants subject to automatic exercise (other than Warrants subject to postponed exercise following the occurrence of an Extraordinary Event or an Exercise Limitation Event as described in Section 2.03(b)), the Company shall make available to the Warrant Agent, not later than 3:00 p.m., New York City time, on the Automatic Settlement Date, funds in an amount equal to, and for the payment of, the aggregate Cash Settlement Value of such Warrants. Subject to such funds having been made available as provided in the preceding sentence, the Warrant Agent will be responsible for making funds available to the Depository, against receipt of the Global Warrant Certificate, after 3:00 p.m., New York City time, but prior to the close of business, on the Automatic Settlement Date, such check to be in an amount equal to the aggregate Cash Settlement Value of the Warrants subject to such automatic exercise.

The Company will advise the Warrant Agent as soon as practicable of the date of any expected delisting or permanent suspension of trading of the Warrants and will immediately inform the Warrant Agent after the Company has received notice that such delisting or suspension has occurred, but in no event will notice of such delisting or suspension be given to the Warrant Agent later than 9:30 a.m., New York City time, on the New York Business Day following the date that such delisting or suspension occurs. The Company will use its best efforts to notify the Warrant-holders, or cause the Warrantholders to be notified, as promptly as practicable of any expected delisting or suspension of trading of the Warrants.

(b) Upon the occurrence of an Extraordinary Event or an Exercise Limitation Event, the Company shall use its best efforts to notify the Warrant Agent and the Determination Agent promptly that an Extraordinary Event or Exercise Limitation Event, as the case may be, has



occurred and shall promptly notify the Warrantholders, through publication in a United States newspaper with a national circulation, or through other means deemed appropriate by the Company ("Publication"), that an Extraordinary Event or an Exercise Limitation Event has occurred. Anything in this Agreement to the contrary notwithstanding, if the Company determines that an Extraordinary Event or Exercise Limitation Event has occurred and is continuing on the Hong Kong Business Day with respect to which the Spot Index on a Valuation Date is to be determined (the "Applicable Hong Kong Business Day"), then the Cash Settlement Value of any Warrants shall be calculated on the basis that the Valuation Date shall be the next Index Calculation Date following an Applicable Hong Kong Business Day on which there is no Extraordinary Event

29

24

or Exercise Limitation Event; provided, however, that if the Cash Settlement Value of such Warrants is not calculated on or prior to the Expiration Date or the Delisting Date, then the Warrantholders shall receive the Alternative Settlement Amount in lieu of the Cash Settlement Value which shall be calculated as if such Warrants had been canceled on the Expiration Date or the Delisting Date, as the case may be.

If the Company determines that an Extraordinary Event has occurred and is continuing, and if it is expected by the Company to continue, the Company may immediately cancel the Warrants by notifying the Warrant Agent of such cancellation (the date such notice is given being the "Cancellation Date"), and each Warrantholder's rights with respect to the Warrants and under this Agreement shall thereupon cease; provided, however, that each Warrant shall be exercised (even if such Warrant would not otherwise be exercisable on such Date because of the Limit Option) on the basis that the Valuation Date for such Warrant shall be the Cancellation Date and each Warrantholder shall have the right to receive an Alternative Settlement Amount (as defined herein) with respect to its Warrants. The Company shall use its best efforts to promptly notify the Warrantholders through Publication of such cancellation.

With respect to all Warrants as to which the Valuation Date has been postponed or which have been canceled as described above, the Company shall make available to the Warrant Agent not later than 3:00 p.m., New York City time, on the third New York Business Day following the date on which the Cash Settlement Value or Alternative Settlement Amount, as the case may be, has been calculated (the "Alternative Settlement Date"), funds in an amount equal to, and for the payment of, the aggregate Cash Settlement Value or Alternative Settlement Amount, as applicable, of such Warrants. Subject to such funds having been made available as provided in the preceding sentence, the Warrant Agent will be responsible for making a payment (i) in the case of Certificated Warrants, to each Registered Holder that submitted a warrant Certificate for exercise or (ii) in the case of

Book-Entry Warrants, to the Depository, after 3:00 p.m., New York City time, but prior to the close of business on, the Alternative Settlement Date, in an amount equal to the aggregate Cash Settlement Value or Alternative Settlement Amount of such exercised Warrants.

The "Alternative Settlement Amount" shall be an amount, determined by the Determination Agent, which is equal to the amount "X" calculated using the formula set forth below:

30

25

$$X = I + \frac{T \times A}{2 \times B}$$

where

I = the Cash Settlement Value of the Warrants determined as described under Section 2.02(d), but calculated with a Spot Index determined by the Determination Agent which, subject to approval by the Company (such approval not to be unreasonably withheld), in the reasonable opinion of the Determination Agent, fairly reflects the value of the stocks which comprise the Index or any Successor Index on the Cancellation Date;

T = U.S. \$\_\_\_\_\_

A = the total number of days from but excluding the Cancellation Date for such Warrants to and including the Expiration Date; and

B = the total number of days from but excluding the date the Warrants were initially sold to and including the Expiration Date.

For purposes of determining "I" in the above formula, in the event that the Determination Agent and the Company are required, but have not, after good faith consultation with each other and within five days following the first day on which such Alternative Settlement Amount may be calculated in accordance with the above formula, agreed upon a Spot Index which fairly reflects the value of the stocks which comprise the Index on the Cancellation Date, then the Determination Agent shall promptly nominate a third party, subject to approval by the Company (such approval not to be unreasonably withheld), to determine such figure and calculate the Alternative Settlement Amount in accordance with the above formula. Such party shall act as an independent expert and not as an agent of the

Company or the Determination Agent, and its calculation and determination of the Alternative Settlement Amount shall, absent manifest error, be final and binding on the Company, the Warrant Agent, the Determination Agent and the Warrantholders. Any such calculations will be made available to a Warrantholder for inspection at the Warrant Agent's Office. Neither the Company nor such third party shall have any responsibility for good faith errors or omissions in calculating the Alternative Settlement Amount.

31

26

(c) For purposes of this Agreement, an "Extraordinary Event" shall mean any one of the events, circumstances or causes listed below:

(i) a suspension or absence of trading on the Hong Kong Stock Exchange Ltd. (the "HKSE") of all the stocks which then comprise the Index or a successor index; or

(ii) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or any other U.S. or non-U.S. governmental authority which would make it unlawful for the Company to perform any of its obligations under this Agreement or the Warrants; or

(iii) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities which in the opinion of the Company may materially and adversely affect the economy of Hong Kong or the trading of securities generally on the HKSE) which has or will have a material adverse effect on the ability of the Company to perform its obligations under the Warrants or to modify the hedge of its position with respect to the Index.

For the purposes of determining whether an Extraordinary Event has occurred: (1) a limitation on the hours or number of days of trading will not constitute an Extraordinary Event if it results from an announced change in the regular business hours of the HKSE, and (2) an "absence of trading" on the HKSE will not include any time when the HKSE itself is closed for trading under ordinary circumstances.

(d) For purposes of this Agreement, an "Exercise Limitation Event" shall mean any one of the events, circumstances or causes listed below:

(i) a suspension or absence of trading on the HKSE of (a) 20% or more of the stocks which then comprise the Index or a Successor Index and/or (b) the stocks of any three of the four most highly capitalized companies included in the stocks which

then comprise the Index or a Successor Index; or

(ii) the suspension or material limitation on the Hong Kong Futures Exchange Ltd. (the "HK Futures Exchange") or any other major futures or securities market of trading in futures or options contracts

32

27

related to the Hang Seng Index, the Index or a Successor Index.

For the purposes of determining whether an Exercise Limitation Event has occurred: (1) a limitation on the hours or number of days of trading will not constitute an Exercise Limitation Event if it results from an announced change in the regular business hours of the relevant exchange, (2) a decision to permanently discontinue trading in the relevant contract will not constitute an Exercise Limitation Event, (3) a suspension in trading in a futures or options contract on the Hang Seng Index, the Index or a Successor Index by the HK Futures Exchange or other major futures or securities market by reason of (x) a price change violating limits set by the HK Futures Exchange or such futures or securities market, (y) an imbalance of orders relating to such contracts or (z) a disparity in bid and ask quotes relating to such contracts will constitute a suspension or material limitation of trading in futures or options contracts related to the Hang Seng Index, the Index, or a Successor Index (4) an "absence of trading" on the HK Futures Exchange or a major futures or securities market on which futures or options contracts related to the Hang Seng Index, the Index or a Successor Index are traded will not include any time when the HK Futures Exchange or such futures or securities market, as the case may be, itself is closed for trading under ordinary circumstances and (5) the occurrence of an Extraordinary Event described in clause (i) of the definition of Extraordinary Event will not constitute, and will supersede the occurrence of, an Exercise Limitation Event.

SECTION 2.04. Limitation of Number of Exercisable Warrants. All exercises of Warrants (other than on the Expiration Date or the Delisting Date or upon cancellation of the Warrants as provided in Section 2.03(b)) shall be subject, at the Company's option, to the limitation that not more than 1,000,000 Warrants in total may be exercised on any Exercise Date and not more than 250,000 Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any other person or entity, on any Exercise Date. If any New York Business Day would otherwise, under the terms hereof, be the Exercise Date in respect of more than 1,000,000 Warrants, then upon the Company's exercising such option (by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such Exercise Date), 1,000,000 of such Warrants shall be deemed exercised on such Exercise Date (selected by the Warrant Agent on a pro rata basis, but if, as a result of such pro

rata selection, any Registered Holders would be deemed to have exercised less than 500 Warrants, then the

33

28

Warrant Agent shall first select additional of such holders, Warrants so that no holder shall be deemed to have exercised less than 500 Warrants), and the remainder of such Warrants (the "Remaining Warrants") shall be deemed exercised on the following New York Business Day (subject to successive applications of this Section 2.04); provided that any Remaining Warrant in respect of which a Notice of Exercise was delivered on a given Notice Date shall be deemed exercised before any other Warrants in respect of which a Notice of Exercise was delivered on a later Notice Date. If any individual Warrantholder attempts to exercise more than 250,000 Warrants on any New York Business Day, then at the Company's election (as notified to the Warrant Agent by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such New York Business Day) 250,000 of such Warrants shall be deemed exercised on such New York Business Day and the remainder shall be deemed exercised on the following New York Business Day (subject to successive applications of this Section 2.04). The date on which any Warrant is deemed exercised under the preceding sentences shall for all purposes of this Agreement be the "Exercise Date" in respect of such Warrants.

SECTION 2.05. Covenant of the Company. The Company covenants, for the benefit of the Warrantholders, that it will not seek the delisting of the Warrants from, or suspension of their trading on, the AMEX unless the Company has, at the same time, arranged for listing on another United States national securities exchange.

SECTION 2.06. Return of Money Held Unclaimed for Two Years. Except as otherwise provided herein, any money deposited with or paid to the Warrant Agent for the payment of the Cash Settlement Value or Alternative Settlement Amount of any Warrants and not applied but remaining unclaimed for two years after the date upon which such Cash Settlement Value or Alternative Settlement Amount shall have become due and payable shall be repaid by the Warrant Agent to the Company and the holders of such Warrants shall thereafter look only to the Company for any payment which such holders may be entitled to collect and all liability of the Warrant Agent with respect to such money shall thereupon cease; provided that the Warrant Agent, before making any such repayment, may at the expense of the Company notify (i) in the case of Certificated Warrants, the Registered Holders or (ii) in the case of Book-Entry Warrants, the Participants concerned, that said money has not been so applied and remains unclaimed and that after a date named in the notification any unclaimed balance of said money then remaining will be returned to the Company.

SECTION 2.07. Return of Global Warrant Certificate. In the event a Global Warrant Certificate is issued, at such time as all of the Warrants evidenced by such Certificate have been exercised (including pursuant to an automatic exercise) or otherwise canceled and all payments to the Participants made as provided herein, the Warrant Agent shall destroy the canceled Global Warrant Certificate (unless instructed by the Company to deliver the Global Warrant Certificate to the Company) and shall provide a certificate of destruction to the Company.

### ARTICLE III

#### OTHER PROVISIONS RELATING TO RIGHTS OF WARRANTHOLDERS

SECTION 3.01. Warrantholder of Warrant May Enforce Rights. Notwithstanding any of the provisions of this Agreement, any Warrantholder, without the consent of the Warrant Agent, may, in and for its own behalf, enforce, and may institute and maintain, any suit, action or proceeding against the Company suitable to enforce, or otherwise in respect of, its right to exercise, and to receive payment for, its Warrants as provided in this Agreement.

### ARTICLE IV

#### WARRANTS ACQUIRED BY THE COMPANY; PAYMENT OF TAXES

SECTION 4.01. Warrants Acquired by the Company. In the event the Company shall purchase or otherwise acquire Warrants, such Warrants may, at the option of the Company, be (i) in the case of Certificated Warrants, delivered to the Warrant Agent, and if so delivered, the Warrant Agent shall promptly note the cancellation of such Warrants on the records of the Warrant Agent or (ii) in the case of Book-Entry Warrants, surrendered free through a Participant to the Depository for credit to the account of the Warrant Agent maintained at the Depository, and if so credited, the Warrant Agent shall promptly note the cancellation of such Warrants by notation on the records of the Warrant Agent. In the case of Book-Entry Warrants, such Warrants may also, at the option of the Company, be resold by the Company directly or to or through any of its affiliates in lieu of being surrendered to the Depository. No Warrant Certificate shall be countersigned in lieu of or in exchange for any Warrant which is canceled as provided herein, except as otherwise expressly permitted by this Agreement which tax or

other governmental charge shall be paid by the appropriate Warrantholder or Registered Holder.

Any canceled Warrant Certificate held by the Warrant Agent under this Agreement shall be destroyed by the Warrant Agent unless otherwise directed by the Company, and the Warrant Agent shall deliver a certificate of destruction to the Company evidencing the same.

SECTION 4.02. Payment of Taxes. The Company will pay all stamp, withholding and other duties, if any, attributable to the initial issuance of Warrants; provided, however, that, anything in this Agreement to the contrary notwithstanding, the Company shall not be required to pay any tax or other governmental charge which may be payable in respect of any transfer involving any beneficial or record interest in, or ownership interest of, any Warrants, Warrant Certificates or Global Warrant Certificate which tax or other governmental charge shall be paid by the appropriate Warrantholder or Registered Holder.

## ARTICLE V

### CONCERNING THE WARRANT AGENT

SECTION 5.01. Warrant Agent. (a) The Company hereby appoints Citibank, N.A. ("Citibank") as Warrant Agent of the Company in respect of the Warrants upon the terms and subject to the conditions set forth herein; and Citibank hereby accepts such appointment. The Warrant Agent shall have the powers and authority granted to and conferred upon it in this Agreement and such further powers and authority to act on behalf of the Company as the Company may hereafter grant to or confer upon it. All of the terms and provisions with respect to such powers and authority contained in any Warrant Certificates or the Global Warrant Certificate are subject to and governed by the terms and provisions hereof.

(b) Citibank covenants and agrees to maintain an office, staffed by qualified personnel, with adequate facilities for the discharge of its responsibilities under this Agreement, including, without limitation, the computation of the Cash Settlement Value and the timely settlement of the Warrants upon exercise thereof.

SECTION 5.02. Conditions of Warrant Agent's Obligations. The Warrant Agent accepts its obligations herein set forth upon the terms and conditions hereof, including the following, to all of which the Company agrees and to all



of which the rights hereunder of the holders from time to time of the Warrants shall be subject:

(a) The Company agrees promptly to pay the Warrant Agent the compensation to be agreed upon with the Company for all services rendered by the Warrant Agent and to reimburse the Warrant Agent for its reasonable out-of-pocket expenses (including attorneys' fees and expenses) incurred by the Warrant Agent without negligence, bad faith or breach of this Agreement on its part in connection with the services rendered by it hereunder. The Company also agrees to indemnify the Warrant Agent for, and to hold it harmless against, any loss, liability or expense (including reasonable attorneys' fees and expenses) incurred without negligence, bad faith or breach of this Agreement on the part of the Warrant Agent, arising out of or in connection with its acting as such Warrant Agent hereunder, as well as the reasonable costs and expenses of defending against any claim of liability in the premises.

(b) In acting under this Agreement, the Warrant Agent is acting solely as agent of the Company and does not assume any obligation or relationship of agency or trust for or with any of the owners or holders of the Warrants.

(c) The Warrant Agent may consult with counsel satisfactory to it, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion of such counsel.

(d) The Warrant Agent shall be protected and shall incur no liability for or in respect of any action taken or thing suffered by it in reliance upon any notice, direction, consent, certificate, affidavit, statement or other paper or document reasonably believed by it to be genuine and to have been presented or signed by the proper parties.

(e) The Warrant Agent, and its officers, directors and employees, may become the owner of, or acquire any interest in, any Warrants or other obligations of the Company, with the same rights that it or they would have if it were not the Warrant Agent hereunder and, to the extent permitted by applicable law, it or they may engage or be interested in any financial or other transaction with the Company and may act on, or as depository, trustee or agent for, any committee or body



of holders of Warrants or other obligations of the Company as freely as if it were not the Warrant Agent hereunder.

(f) The Warrant Agent shall not be under any liability for interest on any moneys at any time received by it pursuant to any of the provisions of this Agreement nor shall it be obligated to segregate such moneys from other moneys held by it, except as required by law. The Warrant Agent shall not be responsible for advancing funds on behalf of the Company.

(g) The Warrant Agent shall not be under any responsibility with respect to the validity or sufficiency of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Warrant Agent) or with respect to the validity or execution of the Warrant Certificates or the Global Warrant Certificate (except its countersignature thereof).

(h) The recitals contained herein and in the Warrant Certificates or the Global Warrant Certificate (except as to the Warrant Agent's countersignature thereon) shall be taken as the statements of the Company, and the Warrant Agent assumes no responsibility for the correctness of the same.

(i) The Warrant Agent shall be obligated to perform such duties as are herein specifically set forth, and no implied duties or obligations shall be read into this Agreement against the Warrant Agent. The Warrant Agent shall not be under any obligation to take any action hereunder likely to involve it in any expense or liability, the payment of which is not, in its reasonable opinion, assured to it. The Warrant Agent shall not be accountable or under any duty or responsibility for the application by the Company of any proceeds. The Warrant Agent shall have no duty or responsibility in case of any default by the Company in the performance of its covenants or agreements contained in any Warrant Certificate or the Global Warrant Certificate or in the case of the receipt of any written demand from a holder of a Warrant with respect to such default, including, without limiting the generality of the foregoing, any duty or responsibility to initiate or attempt to initiate any proceedings at law or otherwise or, except as provided in Section 6.02 hereof, to make any demand upon the Company.

SECTION 5.03. Resignation and Appointment of Successor.

(a) The Company agrees, for the benefit of the holders from time to time of the Warrants, that there shall at all times be a Warrant Agent hereunder until all the Warrants are no longer outstanding or until moneys for the payment of all outstanding Warrants, if any, shall have been paid to the Warrant Agent and shall have been returned to the Company as provided in Section 2.06, whichever occurs earlier.

(b) The Warrant Agent may at any time resign as such agent by giving written notice to the Company of such intention on its part, specifying the date on which its desired resignation shall become effective, subject to the appointment of a successor Warrant Agent and acceptance of such appointment by such successor Warrant Agent as hereinafter provided. The Warrant Agent hereunder may be removed at any time by the filing with it of an instrument in writing signed by or on behalf of the Company and specifying such removal and the date when it shall become effective. Such resignation or removal shall take effect upon the appointment by the Company, as hereinafter provided, of a successor Warrant Agent (which shall be a banking institution organized under the laws of the United States of America or one of the states thereof and having an office south of Chambers Street in the Borough of Manhattan, The City of New York) and the acceptance of such appointment by such successor Warrant Agent. In the event a successor Warrant Agent has not been appointed and accepted its duties within 90 days of the Warrant Agent's notice of resignation, the Warrant Agent may apply to any court of competent jurisdiction for the designation of a successor Warrant Agent. The obligation of the Company under Section 5.02(a) shall continue to the extent set forth therein notwithstanding the resignation or removal of the Warrant Agent.

(c) In case at any time the Warrant Agent shall give notice of its intent to resign, or shall be removed, or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or make an assignment for the benefit of its creditors, or consent to the appointment of a receiver or custodian of all or any substantial part of its property, or shall admit in writing its inability to pay or meet its debts as they mature, or if a receiver or custodian of it or of all or any substantial part of its property shall be appointed, or if any public officer shall have taken charge or control of the Warrant Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, a successor Warrant Agent, qualified as aforesaid, shall be promptly appointed by the Company by an instrument in writing, filed with the suc-

cessor Warrant Agent. Upon the appointment as aforesaid of a successor Warrant Agent and acceptance by the latter of such appointment, the Warrant Agent so superseded shall cease to be Warrant Agent hereunder.

(d) Any successor Warrant Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Company an instrument accepting such appointment hereunder, and thereupon such successor Warrant Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trust, immunities, duties and obligations of such predecessor with like effect as if originally named as Warrant Agent hereunder, and such predecessor, upon payment of its charges and disbursements then unpaid, shall thereupon become obligated to transfer, deliver and pay over, and such successor Warrant Agent shall be entitled to receive, all moneys, securities and other property on deposit with or held by such predecessor (including, without limitation, the Warrant Register), as Warrant Agent hereunder.

(e) Any corporation into which the Warrant Agent hereunder may be merged or converted or any corporation with which the Warrant Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Warrant Agent shall be a party, or any corporation to which the Warrant Agent shall sell or otherwise transfer all or substantially all the assets and business of the Warrant Agent, provided that it shall be qualified as aforesaid, shall be the successor Warrant Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto.

## ARTICLE VI

### MISCELLANEOUS

SECTION 6.01. Amendment. (a) This Agreement and the terms of the Warrants may be amended by the Company, the Warrant Agent and the Determination Agent, without the consent of the Warrantholders, for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained herein or therein or in any other manner which the Company may deem necessary or desirable and which will not adversely affect the interests of the holders of the Warrants. Notwithstanding anything in this Section 6.01 to the contrary, this Agreement may not be amended to provide for the countersigning by the Warrant Agent of Warrant Certificates evidencing in the aggregate in excess of 2,000,000 Warrants

unless and until the Warrant Agent has received notice from the AMEX or any successor United States national securities exchange that the additional Warrants in excess of 2,000,000 have been approved for listing on such exchange.

(b) The Company, the Warrant Agent and the Determination Agent may modify or amend this Agreement, with the consent of Warrantheolders holding not less than a majority in number of the then outstanding Warrants affected by such modification or amendment, for any purpose; provided, however, that no such modification or amendment that decreases the Strike Index, shortens the period of time during which the Warrants may be exercised, or otherwise materially and adversely affects the exercise rights of the Warrantheolders or reduces the percentage of the number of outstanding Warrants, the consent of whose holders is required for modification or amendment of this Agreement, may be made without the consent of each Warrantheolder affected thereby.

SECTION 6.02. Notices and Demands to the Company, the Warrant Agent and the Determination Agent. If the Warrant Agent or the Determination Agent shall receive any notice or demand addressed to the Company by any Warrantheolder pursuant to the provisions of this Agreement, the Warrant Agent or the Determination Agent, as the case may be, shall promptly forward such notice or demand to the Company.

SECTION 6.03. Addresses for Notices. Any communications to the Warrant Agent with respect to this Agreement shall be addressed to Citibank, N.A., 120 Wall Street, New York, New York 10043, Attention: Corporate Trust Department (telephone: (212) 412-6209; facsimile: (212) 480-1613), and any communications to the Company with respect to this Agreement shall be addressed to Paine Webber Group Inc., 1285 Avenue of the Americas, New York, New York 10019, Attention: Secretary (telephone: (212) 713-6277; facsimile: (212) 713-6119), and any communications to the Determination Agent with respect to this Agreement shall be addressed to PaineWebber Incorporated, 185 Avenue of the Americas, New York, New York 10019, Attention: John Braddock (telephone: (212) 713-3508; facsimile: (212) 582-1650) such other address as shall be specified in writing by the Warrant Agent, the Company or the Determination Agent, respectively).

SECTION 6.04. Notices to Holders. The Company may cause to have notice given to the holders of Warrants by providing the Warrant Agent with a form of notice to be distributed by (i) in the case of Certificated Warrants, the

41

36

Warrant Agent to the Warrantheolders or (ii) in the case of Book-Entry Warrants, the Depository with a form of such notice to be distributed by the Depository to Participants in accordance with the custom and practices of the Depository.

SECTION 6.05. Obtaining of Approvals. The Company will from time to time take all action which may be necessary to obtain and keep effective (a) any and all permits, consents and approvals of governmental

agencies and authorities and the AMEX or any successor national securities exchange and (b) any and all filings or notices under United States Federal and state securities laws, which may be or become required in connection with the issuance, sale, trading, transfer or delivery of the Warrant Certificates, the Global Warrant Certificate or the exercise of the Warrants.

SECTION 6.06. Persons Having Rights Under This Agreement. Nothing in this Agreement expressed or implied and nothing that may be inferred from any of the provisions hereof is intended, or shall be construed, to confer upon, or give to, any person or corporation other than the Company, the Warrant Agent, the registered holder of the Global Warrant Certificate and the Warranholders any right, remedy or claim under or by reason of this Agreement or of any covenant, condition, stipulation, promise or agreement hereof; and all covenants, conditions, stipulations, promises and agreements contained in this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent, and their respective successors, the registered holder of the Global Warrant Certificate and of the Warranholders.

SECTION 6.07. Inspection of Agreement. A copy of this Agreement shall be available at all reasonable times at the Warrant Agent's Office for inspection by the Warranholders, Participants or any person certified by any Participant to be an indirect participant of the Depository or any person certified by any Participant to be a Warranholder, in each case, on behalf of whom such Participant holds Warrants.

SECTION 6.08. Headings. The descriptive headings of the several Articles and Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

42

37

SECTION 6.09. Counterparts. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 6.10. APPLICABLE LAW. THIS AGREEMENT AND EACH WARRANT SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

By  
Name:  
Title:

CITIBANK, N.A.

By  
Name:  
Title:

PAINWEBBER INCORPORATED

By  
Name:  
Title:

43

A-1

EXHIBIT A

[FORM OF WARRANT CERTIFICATE]

[FACE]

No. C-

CUSIP No. \_\_\_\_\_

PAIN WEBBER GROUP INC.

AMEX Hong Kong 30 Index Call Warrants  
Expiring January 17, 1996

This Warrant Certificate certifies that  
, or registered assigns, is the registered holder of  
AMEX Hong Kong 30 Index Call Warrants  
Expiring January 17, 1996 (the "Warrants"). Upon receipt by the Warrant  
Agent of this Warrant Certificate and the notice of exercise on the reverse  
hereof (or a notice of exercise in substantially identical form delivered  
herewith), duly completed and executed, at the offices of the Warrant Agent

in the Borough of Manhattan, The City of New York, each Warrant entitles the beneficial owner thereof (each a "Warrantholder") to receive, subject to the conditions set forth herein and in the Warrant Agreement, from Paine Webber Group Inc. (the "Company") the cash settlement value in U.S. dollars (the "Cash Settlement Value") equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the closing level of the AMEX Hong Kong 30 Index (the "Index"), as compiled and published by the American Stock Exchange ("AMEX"), on the applicable Valuation Date for such Warrant (the "Spot Index") exceeds \_\_\_\_\_ (the "Strike Index"), divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$ \_\_\_\_\_ per U.S. \$1.00; provided, however, that if such amount is less than or equal to zero, then the Cash Settlement Value shall be zero. In no event shall a Warrantholder be entitled to any interest on any Cash Settlement Value.

Subject to the terms of the Warrant Agreement, each Warrant may be irrevocably exercised, in whole but not in part, at or prior to 3:00 p.m., New York City time, on any New York Business Day from its date of issuance until 3:00 p.m., New York City time, on the earlier of (i) the New York Business Day immediately preceding January 17, 1996 (the "Expiration Date") and (ii) the Delisting Date (as defined herein), at which time the Warrants shall expire and

44

A-2

all Warrants evidenced hereby shall be automatically exercised and otherwise shall be void. Except in the case of automatic exercise or cancellation of the Warrants, as set forth herein and in the Warrant Agreement, not fewer than 500 Warrants may be exercised by or on behalf of any one Warrantholder at any one time.

Reference is hereby made to the further provisions of this Warrant Certificate set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Warrant Certificate shall not be valid unless countersigned by the Warrant Agent.

IN WITNESS WHEREOF, Paine Webber Group Inc. has caused this instrument to be duly executed.

Dated: January, 1994

PAINE WEBBER GROUP INC.

By \_\_\_\_\_

[SEAL]

Attest:

By \_\_\_\_\_  
Theodore A. Levine  
Secretary

Countersigned as of the  
date above written:

CITIBANK, N.A.,  
as Warrant Agent

By \_\_\_\_\_  
Authorized Officer

45

A-3

[FORM OF WARRANT CERTIFICATE]  
[REVERSE]

PAINE WEBBER GROUP INC.

The Warrants evidenced by this Warrant Certificate are part of a duly authorized issue of Warrants issued by the Company pursuant to a Warrant Agreement, dated as of January , 1994 (the "Warrant Agreement"), among the Company, Citibank, N.A. (the "Warrant Agent") and PaineWebber Incorporated (the "Determination Agent") and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions each Warrantholder consents by acceptance of this Warrant Certificate and which Warrant Agreement is hereby incorporated by reference in and made a part of this Warrant Certificate. A copy of the Warrant Agreement is on file at the Warrant Agent's Office (as defined herein).

The Warrants constitute direct, unconditional and unsecured obligations of the Company and rank on a parity with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt.

Subject to the provisions hereof and of the Warrant Agreement, each Warrant may be irrevocably exercised, in whole but not in



part, at or prior to 3:00 p.m., New York City time, on any New York Business Day (as defined herein) from its date of issuance until 3:00 p.m., New York City time, on the earlier of (i) the New York Business Day immediately preceding the Expiration Date and (ii) the Delisting Date (as defined herein). The holder of Warrants evidenced by this Warrant Certificate may exercise them by surrendering this Warrant Certificate and attached notice of exercise (or a notice of exercise in substantially identical form), duly completed and executed, to the Warrant Agent's offices in the Borough of Manhattan, The City of New York (the "Warrant Agent's Office"), which are, on the date hereof, located at 111 Wall Street, New York, New York 10043, Attention: Corporate Trust Department. Not fewer than 500 Warrants may be exercised by or on behalf of any one Warrantholder at any one time.

The "Cash Settlement Value" of an exercised Warrant shall be an amount in U.S. Dollars equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the closing level of the Index, as compiled and published by the AMEX, on the applicable Valuation Date (as defined herein) for such Warrant (the "Spot Index") exceeds \_\_\_\_\_ (the "Strike Index"), divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S.

46

A-4

dollar exchange rate of H.K.\$ \_\_\_\_\_ per U.S. \$1.00; provided, however, that if such amount is less than or equal to zero, then the Cash Settlement Value shall be zero.

The Company has appointed PaineWebber Incorporated to be its Determination Agent to make such calculations as may be required upon the occurrence of certain circumstances, as described in the Warrant Agreement and herein, including, without limitation, calculation of the Cash Settlement Value under certain circumstances or the Alternative Settlement Amount (as defined herein), as applicable, of a Warrant. The Determination Agent shall act as an independent expert and not as an agent of the Company, and, unless otherwise provided by the Warrant Agreement, its calculations and determinations under the Warrant Agreement and this Warrant Certificate shall, absent manifest error, be final and binding on the Company, the Warrant Agent and the Warrantholders.

In the event that the Index is not publicly announced by the AMEX on a Valuation Date, but is publicly announced by another person or party not affiliated with the Company and acceptable to the Company (the "Third Party"), the applicable Cash Settlement Value shall nevertheless be calculated by reference to the value of the closing quotation for the Index so announced by the Third Party.

In the event that prior to a Valuation Date the AMEX or

the Third Party makes a material change in the formula for or the method of calculating the Index, the Determination Agent shall make such calculations as may be required to determine the applicable Cash Settlement Value using the formula and method of calculating the Index as was in effect prior to such change or modification.

If on a Valuation Date either the AMEX or any Third Party discontinues publication of the Index and publishes a successor or substitute index that the Company determines, in its sole discretion, to be comparable to the Index (any such index being a "Successor Index"), then the Determination Agent shall determine the Spot Index for any date thereafter based on the closing level of the Successor Index on such date. If the AMEX and/or any Third Party discontinues publication of the Index and/or any Successor Index, the Company will cause the Determination Agent to determine the applicable Cash Settlement Value based on the formula and method used in calculating the Index or any Successor Index as in effect on the date the Index or such Successor Index was last published.

47

A-5

The Determination Agent will have no responsibility for good faith errors or omissions in calculating or disseminating information regarding the Index, any Successor Index, adjustments or calculations by the Determination Agent in order to arrive at a calculation of a stock index comparable to the Index or any Successor Index, or the Cash Settlement Value or the Alternative Settlement Amount, as applicable.

Subject to the Warrant Agreement and this Warrant Certificate, and except in the case of exercise (whether automatic or by notice of exercise) on the Expiration Date or the Delisting Date, or in the event an Extraordinary Event or Exercise Limitation Event (as such terms are defined herein) is declared, or in the case of a postponement due to there being exercised a number of Warrants in excess of the maximum permitted number on a given day, the valuation date (the "Valuation Date") for a Warrant shall be the first Index Calculation Date (as defined herein) following the applicable Exercise Date (as defined in the Warrant Agreement) on which the Warrant Agent has received (i) in the case of Warrants other than those held through the facilities of Centrale de Livraison de Valeurs Mobilieres S.A. ("CEDEL") or the Euroclear System ("Euroclear"), the Warrant Certificate representing such Warrant, with the notice of exercise below (or a notice of exercise in substantially identical form delivered herewith), duly completed and executed, at or prior to 3:00 p.m., New York City time (the "Notice Date"); and if the Warrant Agent shall receive any such Warrant Certificate after 3:00 p.m., New York City time, on such date, then such Warrant Certificate shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index

Calculation Date following the New York Business Day on which the Warrant Agent is deemed to have received such Warrant Certificate together with the notice of exercise or (ii) in the case of Warrants held through the facilities of CEDEL or Euroclear, the notice of exercise (by facsimile transmission) at or prior to 3:00 p.m., New York City time; provided that the Warrant Certificate is received by the Warrant Agent by 3:00 p.m., New York City time, on the Index Calculation Date next succeeding the Exercise Date; and if the Warrant Agent shall receive such notice of exercise after 3:00 p.m., New York City time, on such date, then the notice of exercise shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index Calculation Date following the

48

A-6

New York Business Day on which the Warrant Agent is deemed to have received such notice of exercise; provided, however, that if the Warrant Agent receives the Warrant Certificate after 3:00 p.m., New York City time, on the Valuation Date, then the Exercise Date for such Warrant shall be the day on which such Warrant Certificate is received or, if such day is not a New York Business Day, the next succeeding New York Business Day, and the Valuation Date for such Warrant shall be the first Index Calculation Date following such Exercise Date; provided, further, however, in the case of exercises by Euroclear participants, Euroclear must by tested telex to the Warrant Agent by 9:00 a.m., New York City time, on the Valuation Date confirm that the Warrants will be received by the Warrant Agent on such Date, provided that if such telex communication is received after 9:00 a.m., New York City time, on the Valuation Date, the Company will be entitled to direct the Warrant Agent to reject the related Notice of Exercise or waive the requirement for timely delivery of such telex communication. Any Warrant Certificate received after 3:00 p.m., New York City time, on (i) the New York Business Day immediately preceding the Expiration Date or (ii) the last New York Business Day prior to the effective date on which the Warrants are delisted from, or permanently suspended from trading (within the meaning of the Securities Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission thereunder) on, the American Stock Exchange and not accepted at the same time for listing on another United States national securities exchange (such New York Business Day being the "Delisting Date") or, in the case of Warrants held through the facilities of CEDEL or Euroclear, after 3:00 p.m., New York City time, on the first Index Calculation Date following such Dates), shall be deemed not to have been delivered and the related notice of exercise shall be void and of no effect; provided, however, that if the Company first receives notice of the delisting or suspension of the Warrants on the same day on which such Warrants are delisted or suspended, such day will be deemed the Delisting Date for purposes of the Warrant Agreement and this Warrant Certificate.

If the notice of exercise is not rejected as provided in the Warrant Agreement, then the Warrant Agent or the Determination Agent, as the case may be, will determine the Cash Settlement Value of the exercised Warrants in accordance with the terms of the Warrant Agreement. Except in the case of Warrants subject to automatic exercise and for Warrants that upon exercise entitle the holder thereof to receive an Alternative Settlement Amount in lieu of the Cash Settlement Value, if on any Valuation Date the Cash Settlement Value for any Warrants then exercised would be

49

A-7

zero, then in such case, the exercise of such Warrants shall be ignored and the Warrant Certificate evidencing such Warrants will be promptly returned by the Warrant Agent to the registered holder of the Warrant by first class mail at the Company's expense and such holder shall be permitted to re-exercise such Warrants prior to the Expiration Date or the Delisting Date.

Except in the case of Warrants subject to automatic exercise and for Warrants that upon exercise entitle the holder thereof to receive an Alternative Settlement Amount in lieu of the Cash Settlement Value, payment shall be made available to the appropriate holders on the fifth New York Business Day following the Valuation Date for such Warrants (or, if the Valuation Date is not a New York Business Day, on the fifth New York Business Day following the New York Business Day next succeeding the Valuation Date) in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar bank account maintained by such holder in the United States (at the holder's election as specified in the notice of exercise), in an amount equal to the aggregate Cash Settlement Value of the exercised Warrants.

All Warrant Certificates for which the Warrant Agent has not received a notice of exercise in proper form by 3:00 p.m., New York City time, on (i) the New York Business Day preceding the Expiration Date or (ii) the Delisting Date, as the case may be, or for which the Warrant Agent has received a notice of exercise in proper form but with respect to which timely delivery of the relevant Warrant Certificate has not been made, and which have not been canceled prior to such time, will be deemed automatically exercised on such Date without any requirement of a notice of exercise to the Warrant Agent. The Valuation Date for such Warrants shall be the first Index Calculation Date following the Expiration Date or the Delisting Date, as the case may be.

If the Company determines that an Extraordinary Event or an Exercise Limitation Event has occurred and is continuing on the Expiration Date or the Delisting Date, the Cash Settlement Value with

respect to the exercised Warrants shall be equal to, and be calculated in the same manner as, an Alternative Settlement Amount (treating the Expiration Date or the Delisting Date, as the case may be, as the date on which the Warrants were canceled), as provided below and in the Warrant Agreement.

50

A-8

Payment with respect to automatically exercised Warrants shall be made available to the appropriate registered holders of the Warrants in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar bank account maintained by such holder in the United States (at such holder's election), on the fourth New York Business Day following the Valuation Date for automatically exercised Warrants (or if such Valuation Date is not a New York Business Day, on the fourth New York Business Day following the New York Business Day next succeeding such Valuation Date), against receipt by the Warrant Agent at the Warrant Agent's Office from the holder of its Warrant Certificates. Such payment shall be in the amount of the aggregate Cash Settlement Value in respect of the Warrants, evidenced by the Warrant Certificates, that were exercised (whether automatically or by notice of exercise) on the Expiration Date or the Delisting Date, as the case may be.

Anything in the Warrant Agreement or in this Warrant Certificate to the contrary notwithstanding, if the Company determines that an Extraordinary Event or an Exercise Limitation Event has occurred and is continuing on the Hong Kong Business Day (as defined herein) with respect to which the Spot Index on a Valuation Date is to be determined (the "Applicable Hong Kong Business Day") then the Cash Settlement Value of such Warrants in respect of an exercise shall be calculated on the basis that the Valuation Date shall be the next Index Calculation Date following an Applicable Hong Kong Business Day on which there is no Extraordinary Event or Exercise Limitation Event; provided, however, that if the Cash Settlement Value of such Warrants is not calculated on or prior to the Expiration Date or the Delisting Date, then the Warrantholders will receive the Alternative Settlement Amount in lieu of the Cash Settlement Value which shall be calculated as if the Warrants had been canceled on the Expiration Date or the Delisting Date, as the case may be.

If the Company determines that an Extraordinary Event has occurred and is continuing and if it is expected by the Company to continue, the Company may immediately cancel the Warrants by notifying the Warrant Agent of such cancellation (the date such Warrants are canceled being the "Cancellation Date"), and each Warrantholder's rights with respect to the Warrants and under the Warrant Agreement shall thereupon cease; provided, however, that each Warrant shall be exercised (even if such Warrant would not otherwise be exercisable on such Date because of the

Limit Option) on the basis that the Valuation Date for such Warrant shall be the Cancellation Date and each Warrantholder shall have the

51

A-9

right to receive an Alternative Settlement Amount with respect to its Warrants. The Company shall use its best efforts to notify the Warrantholders promptly of such cancellation.

With respect to all Warrant Certificates as to which the Valuation Date has been postponed or which have been canceled as described above, payment shall be made available to the appropriate registered holders of the Warrants in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar bank account maintained by such holder in the United States (at such holder's election), on the third New York Business Day following the date on which the Cash Settlement Value or Alternative Settlement Amount, as the case may be, has been calculated, against receipt by the Warrant Agent at the Warrant Agent's Office from such holder of its Warrant Certificates. Such payment shall be in the amount of the aggregate Cash Settlement Value or Alternative Settlement Amount, as the case may be, in respect of the Warrants evidenced by such Warrant Certificates.

The "Alternative Settlement Amount" shall be an amount, determined by the Determination Agent, which is equal to the amount "X" calculated using the formula set forth below:

$$X = I + \frac{T \times A}{2B}$$

where

I = the Cash Settlement Value of the Warrants determined as described above, but calculated with a Spot Index determined by the Determination Agent which, subject to approval by the Company (such approval not to be unreasonably withheld), in the reasonable opinion of the Determination Agent, fairly reflects the value of the stocks which comprise the Index or any Successor Index on the Cancellation Date;

T = U.S. \$\_\_\_\_, the initial offering price per Warrant;

## A-10

- A = the total number of days from but excluding the Cancellation Date for such Warrants to and including the Expiration Date; and
- B = the total number of days from but excluding the date the Warrants were initially sold to and including the Expiration Date.

For purposes of determining "I" in the above formula, in the event that the Determination Agent and the Company are required, but have not, after good faith consultation with each other and within five days following the first day upon which such Alternative Settlement Amount may be calculated in accordance with the above formula, agreed upon a Spot Index which fairly reflects the value of the stocks which comprise the Index on the Cancellation Date, then the Determination Agent shall promptly nominate a third party, subject to approval by the Company (such approval not to be unreasonably withheld), to determine such figure and calculate the Alternative Settlement Amount in accordance with the above formula. Such party shall act as an independent expert and not as an agent of the Company or the Determination Agent, and its calculation and determination of the Alternative Settlement Amount shall, absent manifest error, be final and binding on the Company, the Warrant Agent, the Determination Agent and the Warrantheolders. Any such calculations will be made available to a Warrantheolder for inspection at the Warrant Agent's Office. Neither the Company nor such third party shall have any responsibility for good faith errors or omissions in calculating the Alternative Settlement Amount.

An "Extraordinary Event" shall mean any one of the events, circumstances or causes listed below:

- (i) a suspension or absence of trading on the Hong Kong Stock Exchange Ltd. (the "HKSE") of all of the stocks which then comprise the Index or a successor or substitute index that the Company determines, in its sole discretion, to be comparable to the Index (a "Successor Index"); or
- (ii) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or any other U.S. or non-U.S. governmental authority which would render it unlawful for the Company to perform any of its obligations under the Warrant Agreement or the Warrants; or
- (iii) any outbreak or escalation of hostilities or other national or international calamity or crisis



(including, without limitation, natural calamities which in the opinion of the Company may materially and adversely affect the economy of Hong Kong or the trading of securities generally on the HKSE) which has or will have a material adverse effect on the ability of the Company to perform its obligations under the Warrants or to modify the hedge of its position with respect to the Index.

An "Exercise Limitation Event" shall mean any one of the events, circumstances or causes listed below:

(i) a suspension or absence of trading on the HKSE of (a) 20% or more of the stocks which then comprise the Index or a Successor Index and/or (b) the stocks of any three of the four most highly capitalized companies included in the stocks which then comprise the Index or a Successor Index; or

(ii) the suspension or material limitation on the Hong Kong Futures Exchange Ltd. (the "HK Futures Exchange") or any other major futures or securities market of trading in futures or options contracts related to the Hang Seng Index, the Index or a Successor Index.

All exercises of Warrants (other than on the Expiration Date or the Delisting Date or upon cancellation of the Warrants as described above) shall be subject, at the Company's option, to the limitation that not more than 1,000,000 Warrants in total may be exercised on any Exercise Date and not more than 250,000 Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any other person or entity, on any Exercise Date. If any New York Business Day would otherwise, under the terms hereof, be the Exercise Date in respect of more than 1,000,000 Warrants, then upon the Company's exercising such option (by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such Exercise Date), 1,000,000 of such Warrants shall be deemed exercised on such Exercise Date (selected by the Warrant Agent on a pro rata basis, but if, as a result of such pro rata selection, any registered holders of the Warrants would be deemed to have exercised less than 500 Warrants, then the Warrant Agent shall first select additional of such holders' Warrants so that no holder shall be deemed to have exercised less than 500 Warrants), and the remainder of such Warrants (the "Remaining Warrants") shall be deemed exercised on the following New York Business Day (subject to successive applications of this paragraph); provided that any Remaining Warrant in respect of which a notice of exercise was



delivered on a given Notice Date shall be deemed exercised before any other Warrants in respect of which a notice of exercise was delivered on a later Notice Date. If any individual Warrantholder attempts to exercise more than 250,000 Warrants on any New York Business Day, then at the Company's election (as notified to the Warrant Agent by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such New York Business Day), 250,000 of such Warrants shall be deemed exercised on such New York Business Day and the remainder shall be deemed exercised on the following New York Business Day (subject to successive applications of this paragraph). The date on which any Warrant is deemed exercised under the preceding sentences shall for all purposes of this Warrant Certificate be deemed to be the "Exercise Date" in respect of such Warrants.

Prior to due presentment for registration of transfer, the Company, the Warrant Agent, and any agent of the Company or the Warrant Agent, may deem and treat the registered owner hereof as the absolute owner of the Warrants evidenced hereby (notwithstanding any notation of ownership or other writing hereon) for any purpose whatsoever, and as the person entitled to exercise the rights represented by the Warrants evidenced hereby, and neither the Company nor the Warrant Agent, nor any agent of the Company or the Warrant Agent, shall be affected by any notice to the contrary.

The Warrant Agent shall, in accordance with the Warrant Agreement, from time to time register the transfer of this Warrant Certificate upon the records to be maintained by it for that purpose at the Warrant Agent's Office upon surrender hereof, duly endorsed, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent, duly executed by the registered holder(s) hereof or by their duly appointed legal representative or duly authorized attorney, such signature to be guaranteed by a bank or trust company with a correspondent office in The City of New York or by a member of a national securities exchange. Upon any such registration of transfer, a new Warrant Certificate shall be issued to the transferee(s).

As provided in the Warrant Agreement and subject to certain limitations, this Warrant Certificate may be exchanged for other Warrant Certificates, representing a like number of Warrants, upon surrender to the Warrant Agent of this Warrant Certificate at the Warrant Agent's Office.

No service charge shall be made for any registration of

transfer or exchange of this Warrant Certificate, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of this Warrant Certificate, other than exchanges pursuant to the Warrant Agreement not involving any transfer.

Capitalized terms included herein but not defined herein have the meanings assigned thereto in the Warrant Agreement.

References herein to "U.S. dollars", "U.S. \$" or "\$" are to the lawful currency of the United States of America, and references to "Hong Kong dollars" or "H.K.\$" are to the lawful currency of Hong Kong. As used herein, a "New York Business Day" means any day other than a Saturday, Sunday or a day on which either the AMEX or the New York Stock Exchange is not open for securities trading or commercial banks in New York City are required or authorized by law or executive order to remain closed; a "Hong Kong Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banks in Hong Kong are not open for a full day of business; and an "Index Calculation Date" means any day on which the Index or any Successor Index is calculated and published.

The Warrant Agreement and the terms of the Warrants are subject to amendment, as provided in the Warrant Agreement.

THIS WARRANT CERTIFICATE SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

56

A-14

#### NOTICE OF EXERCISE

Citibank, N.A.  
Corporate Trust Department, 5th Floor  
111 Wall Street  
New York, New York 10043

1. This Notice [ ] DOES [ ] DOES NOT relate to "Contingently Tendered Warrants" subject to a Limit Option, as provided for in the Warrant Agreement. If this Notice of Exercise relates to 500 or more Warrants and any of such Warrants are Contingently Tendered Warrants, of such Warrants are Contingently Tendered Warrants and are not. If the Spot Index used to determine the Cash Settlement Value of Contingently Tendered Warrants is lower than the Reference Index by 20 points or more, a Notice of Exercise with respect to such Contingently Tendered Warrants shall be void and of no effect (and shall be disregarded for all purposes of the Warrant Agreement).

2. Subject to paragraph 1, the undersigned (the "Owner") hereby irrevocably exercises \_\_\_\_\_ Warrants (the "Exercised Warrants") and delivers to you herewith a Warrant Certificate or Certificates, registered in the Owner's name, representing a number of Warrants at least equal to the number of Exercised Warrants. Each beneficial owner of Warrants that is exercising Warrants pursuant to this Notice of Exercise is exercising no fewer than 500 Warrants.

3. The Owner hereby directs the Warrant Agent (a) to pay the Cash Settlement Value, if any, with respect to the Exercised Warrants:

By cashier's check or an official bank check;

or

By wire transfer to the following U.S. dollar bank account in the United States:

(Minimum payments of \$100,000 only)

Bank: \_\_\_\_\_

57

A-15

ABA Routing No.: \_\_\_\_\_

Account No.: \_\_\_\_\_ Reference: \_\_\_\_\_

;and (b) if the number of Exercised Warrants is less than the number of Warrants represented by the enclosed Warrant Certificate, to deliver a Warrant Certificate representing the unexercised Warrants to \_\_\_\_\_.

Dated: \_\_\_\_\_, 19

\_\_\_\_\_  
(Owner)

by

\_\_\_\_\_  
Authorized Signature

Address:

Telephone: ( )

58

A-1-1

EXHIBIT A-1

[FORM OF GLOBAL WARRANT CERTIFICATE]

No. GC \_\_\_\_\_

CUSIP No. \_\_\_\_\_

PAINÉ WEBBER GROUP INC.  
Global Warrant Certificate Representing  
AMEX Hong Kong 30 Index Call Warrants  
Expiring January 17, 1996

This certifies that CEDE & CO., or registered assigns, is the registered holder of AMEX Hong Kong 30 Index Call Warrants Expiring January 17, 1996 (the "Warrants"). Each Warrant entitles the beneficial owner thereof (each a "Warrantholder") to receive, subject to the conditions set forth herein and in the Warrant Agreement, from Paine Webber Group Inc. (the "Company") the cash settlement value in U.S. dollars (the "Cash Settlement Value") equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the closing level of the AMEX Hong Kong 30 Index (the "Index"), as compiled and published by the American Stock Exchange (the "AMEX"), on the applicable Valuation Date for such Warrant (the "Spot Index") exceeds \_\_\_\_\_ (the "Strike Index"), divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$ \_\_\_\_\_ per U.S. \$1.00; provided, however, that if such amount is less than or equal to zero, then the Cash Settlement Value shall be zero. In no event shall a Warrantholder be entitled to any interest on any Cash Settlement Value.

Subject to the terms of the Warrant Agreement, each Warrant may be irrevocably exercised, in whole but not in part, at or prior to 3:00 p.m., New York City time, on any New York Business Day (as defined herein) from its date of issuance until 3:00 p.m., New York City time, on the earlier of (i) the New York Business Day immediately preceding January 17, 1996 (the "Expiration Date") and (ii) the Delisting Date (as defined herein), at which time the Warrants shall expire and all Warrants

evidenced hereby shall be automatically exercised and otherwise shall be void. The holder of Warrants evidenced by this Warrant Certificate may exercise them only upon the delivery of such Warrant free to the Warrant Account (as defined in the Warrant Agreement) and pursuant to an irrevocable Notice of Exercise to the Warrant Agent from a Participant (as defined in the Warrant Agreement) acting on behalf of such Warrantholder. Except in the case of automatic exercise or

59

A-1-2

cancellation of the Warrants, as set forth herein and in the Warrant Agreement, not fewer than 500 Warrants may be exercised by or on behalf of any one Warrantholder at any one time.

This Global Warrant Certificate shall not be valid unless countersigned by the Warrant Agent.

The Warrants evidenced by this Global Warrant Certificate are part of a duly authorized issue of Warrants issued by the Company pursuant to a Warrant Agreement, dated as of January , 1994 (the "Warrant Agreement"), among the Company, Citibank, N.A. (the "Warrant Agent"), and PaineWebber Incorporated (the "Determination Agent"), and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions the Warrantholders, the entities through which such Warrantholders hold their beneficial interests in the Warrants and the registered holder of this Global Warrant Certificate consent by acceptance of this Warrant Certificate by the Depository and which Warrant Agreement is hereby incorporated by reference in and made a part of this Warrant Certificate. A copy of the Warrant Agreement is on file at the Warrant Agent's Office, which is located at 111 Wall Street, 5th Floor, New York, New York 10043.

The Warrants constitute direct, unconditional and unsecured obligations of the Company and rank on a parity with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt.

Subject to the Warrant Agreement and this Global Warrant Certificate, and except in the case of exercise (whether automatic or by notice of exercise), on the Expiration Date or the Delisting Date, or in the event an Extraordinary Event or Exercise Limitation Event (as such terms are defined in the Warrant Agreement) is declared, or in the case of a postponement due to there being exercised a number of Warrants in excess of the maximum permitted number on a given day, the valuation date (the "Valuation Date") for a Warrant shall be the Index Calculation Date (as defined herein) following the Exercise Date (as defined in the Warrant Agreement) on which the Warrant Agent has received (i) in the case of Warrants other than those held through the facilities of Centrale de

Livraison de Valeurs Mobilieres S.A. ("CEDEL") or the Euroclear System ("Euroclear"), the Warrant, with the Notice of Exercise (as defined in the Warrant Agreement) (or a Notice of Exercise in substantially identical form delivered herewith), duly completed and executed, at or prior to 3:00 p.m., New York City time (the "Notice Date"); and if the Warrant Agent

60

A-1-3

shall receive any such Warrant after 3:00 p.m., New York City time, on such date, then such Warrant shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index Calculation Date following the New York Business Day on which the Warrant Agent is deemed to have received such Warrant together with the Notice of Exercise or (ii) in the case of Warrants held through the facilities of CEDEL or Euroclear, the notice of exercise (by facsimile transmission) at or prior to 3:00 p.m., New York City time; provided that the Warrant is received by the Warrant Agent by 3:00 p.m., New York City time, on the Index Calculation Date next succeeding the Exercise Date; and if the Warrant Agent shall receive such notice of exercise after 3:00 p.m., New York City time, on such date, then the notice of exercise shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index Calculation Date following the New York Business Day on which the Warrant Agent is deemed to have received such notice of exercise; provided, however, that if the Warrant Agent receives the Warrant after 3:00 p.m., New York City time, on the Valuation Date, then the Exercise Date for such Warrant shall be the day on which such Warrant is received or, if such day is not a New York Business Day, the next succeeding New York Business Day, and the Valuation Date for such Warrant shall be the first Index Calculation Date following such Exercise Date; provided, further, however, in the case of exercises by Euroclear participants, Euroclear must be tested telex to the Warrant Agent by 9:00 a.m., New York City time, on the Valuation Date confirm that the Warrants will be received by the Warrant Agent on such Date, provided that if such telex communication is received after 9:00 a.m., New York City time, on the Valuation Date, the Company will be entitled to direct the Warrant Agent to reject the related Notice of Exercise or waive the requirement for timely delivery of such telex communication. Any Warrant received after 3:00 p.m., New York City time, on (i) the New York Business Day immediately preceding the Expiration Date or (ii) the last New York Business Day prior to the effective date on which the Warrants are delisted from, or permanently suspended from trading (within the meaning of the Securities Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission thereunder) on, the American Stock Exchange and not accepted at the same time for listing on another United States national securities exchange (such New York Business Day being the "Delisting Date")

held through the facilities of CEDEL or Euroclear, after 3:00 p.m., New York City time, on the first Index Calculation Date following such Dates), shall be deemed not to have been delivered and the related Notice of Exercise shall be void and of no effect; provided, however, that if the Company first receives notice of the delisting or suspension of the Warrants on the same day on which such Warrants are delisted or suspended, such day will be deemed the Delisting Date for purposes of the Warrant Agreement and this Global Warrant Certificate.

All Warrants for which the Warrant Agent has not received a Notice of Exercise in proper form by 3:00 p.m., New York City time, on (i) the New York Business Day preceding the Expiration Date or (ii) the Delisting Date, as the case may be, or for which the Warrant Agent has received a notice of exercise in proper form but with respect to which timely delivery of the related Warrant has not been made, and which have not been canceled prior to such time, will be deemed automatically exercised on such Date without any requirement of a Notice of Exercise to the Warrant Agent. The Valuation Date for such Warrants shall be the first Index Calculation Date following the Expiration Date or the Delisting Date, as the case may be.

If the Company determines that an Extraordinary Event or an Exercise Limitation Event has occurred and is continuing on the Expiration Date or the Delisting Date, the Cash Settlement Value with respect to the exercised Warrants shall be equal to, and be calculated in the same manner as, an Alternative Settlement Amount (treating the Expiration Date or the Delisting Date, as the case may be, as the date on which the Warrants were canceled), as provided below and in the Warrant Agreement.

Anything in the Warrant Agreement or in this Global Warrant Certificate to the contrary notwithstanding, if the Company determines that an Extraordinary Event or an Exercise Limitation Event has occurred and is continuing on the Hong Kong Business Day (as defined herein) with respect to which the Spot Index on a Valuation Date is to be determined (the "Applicable Hong Kong Business Day"), then the Cash Settlement Value of such Warrants in respect of an exercise shall be calculated on the basis that the Valuation Date shall be the next Index Calculation Date following an Applicable Hong Kong Business Day on which there is no Extraordinary Event or Exercise Limitation Event; provided, however, that if the Cash Settlement Value of such Warrants is not calculated on or prior to the Expiration Date or the Delisting Date, then the Warrant holders will receive the Alternative Settlement Amount in lieu

Value which shall be calculated as if the Warrants had been canceled on the Expiration Date or the Delisting Date, as the case may be.

If the Company determines that an Extraordinary Event has occurred and is continuing and if it is expected by the Company to continue, the Company may immediately cancel the Warrants by notifying the Warrant Agent of such cancellation (the date such Warrants are canceled being the "Cancellation Date"), and each Warrantholder's rights with respect to the Warrants and under the Warrant Agreement shall thereupon cease; provided, however, that each Warrant shall be exercised (even if such Warrant would not otherwise be exercisable on such Date because of the Limit Option) on the basis that the Valuation Date for such Warrant shall be the Cancellation Date and each Warrantholder shall have the right to receive an Alternative Settlement Amount with respect to its Warrants. The Company shall use its best efforts to notify the Warrantholders promptly of such cancellation.

All exercises of Warrants (other than on the Expiration Date or the Delisting Date or upon cancellation of the Warrants as described above) shall be subject, at the Company's option, to the limitation that not more than 1,000,000 Warrants in total may be exercised on any Exercise Date and not more than 250,000 Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any other person or entity, on any Exercise Date. If any New York Business Day would otherwise, under the terms hereof, be the Exercise Date in respect of more than 1,000,000 Warrants, then upon the Company's exercising such option (by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such Exercise Date), 1,000,000 of such Warrants shall be deemed exercised on such Exercise Date (selected by the Warrant Agent on a pro rata basis, but if, as a result of such pro rata selection, any Warrantholders would be deemed to have exercised less than 500 Warrants, then the Warrant Agent shall first select additional of such holders' Warrants so that no holder shall be deemed to have exercised less than 500 Warrants), and the remainder of such Warrants (the "Remaining Warrants") shall be deemed exercised on the following New York Business Day (subject to successive applications of this paragraph); provided that any Remaining Warrant in respect of which notice of exercise was delivered on a given Notice Date shall be deemed exercised before any other Warrants in respect of which a notice of exercise was delivered on a later Notice Date. If any individual Warrantholder attempts to exercise more than 250,000 Warrants on any New York Business Day, then at the Company's



election (as notified to the Warrant Agent by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such New York Business Day) 250,000 of such Warrants shall be deemed exercised on such New York Business Day and the remainder shall be deemed exercised on the following New York Business Day (subject to successive applications of this paragraph). The date on which any Warrant is deemed exercised under the preceding sentences shall for all purposes of this Global Warrant Certificate be deemed to be the "Exercise Date" in respect of such Warrants.

Prior to due presentment for registration of transfer, the Company, the Warrant Agent, and any agent of the Company or the Warrant Agent, may deem and treat the registered owner hereof as the absolute owner of the Warrants evidenced hereby (notwithstanding any notation of ownership or other writing hereon) for any purpose whatsoever, and as the person entitled to exercise the rights represented by the Warrants evidenced hereby, and neither the Company nor the Warrant Agent, nor any agent of the Company or the Warrant Agent, shall be affected by any notice to the contrary.

The Warrant Agent shall, in accordance with the Warrant Agreement, from time to time register the transfer of this Global Warrant Certificate in its records (which may be maintained electronically) to be maintained by it for that purpose at the Warrant Agent's Office upon surrender hereof, duly endorsed, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent, duly executed by the registered holder hereof or by the duly appointed legal representative or duly authorized attorney thereof, such signature to be guaranteed by a bank or trust company with a correspondent office in The City of New York or by a member of a national securities exchange. Upon any such registration of transfer, a new Global Warrant Certificate shall be issued to the transferee(s).

Exercises of Warrants are subject to the Limit Option as provided in the Warrant Agreement.

Capitalized terms included herein but not defined herein have the meanings assigned thereto in the Warrant Agreement.

References herein to "U.S. dollars", "U.S.\$" or "\$" are to the lawful currency of the United States of America, and references to "Hong Kong dollars" or "H.K.\$" are to the lawful currency of Hong Kong. As used herein, a

"New York Business Day" means any day other than a Saturday, Sunday or a day on which either the AMEX or the New York Stock Exchange is not open for securities trading or commercial banks in New York City are required or authorized by law or executive order to remain closed; a "Hong Kong Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banks in Hong Kong are not open for a full day of business; and an "Index Calculation Date" means any day on which the AMEX Index or any Successor Index is calculated and published.

The Warrant Agreement and the terms of the Warrants are subject to amendment, as provided in the Warrant Agreement.

65

THIS GLOBAL WARRANT CERTIFICATE SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, Paine Webber Group Inc. has caused this instrument to be duly executed.

Dated: , 1994 PAINE WEBBER GROUP INC.

By \_\_\_\_\_

Name:

Title:

[Corporate Seal]

Attest:

By \_\_\_\_\_  
Assistant Secretary

Countersigned as of the  
date above written:

CITIBANK, N.A.,  
as Warrant Agent

By \_\_\_\_\_  
Authorized Officer

NOTICE OF EXERCISE  
[For Warrants Represented by the Global Warrant Certificate]

Citibank, N.A.  
[c/o Citicorp Data Distribution Inc.  
404 Sette Drive  
Paramus, New Jersey 07652  
(Facsimile: (201) 262-7521)  
(Telephone: (201) 262-5444)]

1. We refer to the Warrant Agreement dated as of January , 1994 (the "Warrant Agreement"), among Paine Webber Group Inc. (the "Company"), Citibank, N.A., as warrant agent (the "Warrant Agent"), and PaineWebber Incorporated, as determination agent (the "Determination Agent"). On behalf of certain beneficial owners, each of whom is exercising no fewer than 500 Warrants that are covered by this Notice of Exercise and whose Warrants have been, or will be, transferred to the Warrant Agent's DTC Participant Account--Citibank, N.A. Corporate Trust Warrant Agent Account, No. 2659 (the "Warrant Account"), we hereby irrevocably exercise Warrants (the "Tendered Warrants"). We hereby acknowledge that the Warrants being exercised and this Notice of Exercise must be received by you by 3:00 p.m., New York City time, on a New York Business Day in order for the Valuation Date for the Tendered Warrants to be the Index Calculation Date following such New York Business Day and that, if the Warrants being exercised and this Notice of Exercise are received by you after 3:00 p.m., New York City time, on a New York Business Day (or, in the case of Warrants held through CEDEL or Euroclear, if the Warrants are not received by 3:00 p.m., New York City time, on the first Index Calculation Date following such New York Business Day), the Valuation Date of the Tendered Warrants shall be the next Index Calculation Date next succeeding such New York Business Day, in each case subject to certain provisions of the Warrant Agreement.

2. If you determine that this Notice of Exercise has not been duly completed or is not in proper form, this Notice of Exercise will be void and of no effect and will be deemed not to have been delivered.

3. We hereby direct you to make payment to us of amounts payable to our clients as a result of the exercise of the Warrants hereunder as follows:

[ ] By cashier's check or an official bank check;

or

[ ] By wire transfer to the following U.S. dollar bank account in the United States:

(Minimum payments of \$100,000 only)

Bank: \_\_\_\_\_

Account No.: \_\_\_\_\_

ABA Routing No.: \_\_\_\_\_

Reference: \_\_\_\_\_

4. The Exercised Warrants covered hereby [are] [are not] subject to the Limit Option.1/

5. Each client on whose behalf we are exercising Warrants pursuant to this Notice of Exercise has certified to us that it is not exercising in excess of 250,000 Warrants on behalf of any single person or entity.

[For Participants] [6. We hereby certify that we are a Participant of The Depository Trust Company (the Depository") with the present right to use and receive its services.]

1/ Separate Notice of Exercise shall be submitted with respect to Warrants subject to the Limit Option and Warrants not subject to the Limit Option.

68

A-2-3

Capitalized terms used but not defined herein have the meanings assigned thereto in the Warrant Agreement.

Dated: \_\_\_\_\_, 19

[NAME OF DEPOSITORY  
PARTICIPANT]  
[Participant Number]  
[NAME OF EUROCLEAR  
PARTICIPANT]  
[Centrale de Livraison de  
Valeurs Mobilieres S.A.]

By \_\_\_\_\_  
Authorized Signature

Address:

Telephone: ( )

69

B-1

EXHIBIT B

CONFIRMATION OF EXERCISE  
[For Warrants Represented by Warrant Certificates]

We hereby confirm receipt of your Notice of Exercise with respect to \_\_\_\_\_ Warrants (the "Exercised Warrants") and the related Warrant Certificates, which we have found to be duly completed and in proper form. The Valuation Date of the Exercised Warrants was the close of business on \_\_\_\_\_, 19\_\_.

We hereby confirm that the aggregate Cash Settlement Value of the Exercised Warrants is \$ \_\_\_\_\_ (\$ per Warrant), which will be made available to you [in the form of a cashiers check or an official bank check] [by wire transfer to the bank account designated in your Irrevocable Notice of Exercise], in New York Clearing House funds, for payment on the fifth New York Business Day following the Valuation Date for such Warrants (or, if such Valuation Date is not a New York Business Day, on the fifth New York Business Day following the New York Business Day next succeeding the Valuation Date for such Warrants).

Capitalized terms included herein but not defined have the meanings assigned thereto in the Warrant Agreement, dated as of January , 1994, among Paine Webber Group Inc., Citibank, N.A., and PaineWebber Incorporated.

Dated: \_\_\_\_\_, 19\_\_

CITIBANK, N.A., as Warrant  
Agent,

By \_\_\_\_\_  
Authorized Signature

NOTICE OF REJECTION

You are hereby notified that [the Notice of Exercise delivered by you was determined by us not to have been [duly completed] [in proper form]] [we did not receive from Euroclear a Euroclear Confirmation

that proper delivery of the Warrants to which the Notice of Exercise delivered by you relates would be made on a timely basis], as set forth in the Warrant Agreement, dated as of January , 1994, among Paine Webber Group Inc., Citibank, N.A., and PaineWebber Incorporated. Accordingly, we have rejected your Notice of Exercise [as being unsatisfactory as to form].

Capitalized terms used but not defined herein have the meanings assigned thereto in the Warrant Agreement.

Dated: , 19

CITIBANK, N.A., as Warrant Agent,

By \_\_\_\_\_  
Authorized Signature

71

B-1-1

EXHIBIT B-1

CONFIRMATION OF EXERCISE

[For Warrants Represented by the Global Warrant Certificate]

[Name of Depository Participant]  
[Name of Euroclear Participant]  
[Centrale de Livraison de Valeurs  
Mobilieres S.A.]  
[Address]

We hereby confirm receipt of your Notice of Exercise with respect to Warrants (the "Exercised Warrants") which were transferred by you (or on your behalf) to our DTC Participant Account No. [ ]. Such Notice we have found to be duly completed and in proper form. The Valuation Date of the Exercised Warrants was the close of business on \_\_\_\_\_, 19\_\_.

[As set forth in your Notice of Exercise, none of the Warrants covered thereby is subject to the Limit Option. Accordingly, for purposes hereof, all such Warrants shall constitute Exercised Warrants, which number we hereby confirm to be .] [Your Notice of

Exercise stated that the Warrants covered thereby are subject to the Limit Option. The applicable Reference Index for such Warrants is and the Spot Index for the date that would otherwise be the Valuation Date for such Warrants is . Such Spot Index does is not lower than such Reference Index by 20 or more points. Accordingly, for purposes hereof, all such Warrants shall constitute Exercised Warrants. We hereby confirm the number of such Exercised Warrants to be .]

We hereby confirm that the aggregate Cash Settlement Value of the Exercised Warrants is \$ (\$ per Warrant), which will be made available to you [in the form of a cashiers check or an official bank check] [by wire transfer to the bank account designated in your Irrevocable Notice of Exercise], in New York Clearing House funds, for payment on the sixth New York Business Day following the Valuation Date for such Warrants (or, if such Valuation Date is not a New York Business Day, on the sixth New York Business Day following the New York Business Day next succeeding the Valuation Date for such Warrants).

72

B-1-2

Capitalized terms included herein but not defined have the meanings assigned thereto in the Warrant Agreement dated as of January , 1994, among Paine Webber Group Inc., Citibank, N.A., as Warrant Agent, and PaineWebber Incorporated, as Determination Agent.

Dated: , 19

CITIBANK, N.A., as Warrant Agent,

By \_\_\_\_\_  
Authorized Signature

73

B-1-3

NOTICE OF REJECTION

[Name of Depository Participant]  
[Name of Euroclear Participant]  
[Centrale de Livraison de Valeurs  
Mobilieres S.A.]



[Address]

You are hereby notified that [the Notice of Exercise delivered by you was determined by us not to have been [duly completed] [in proper form]], [such Warrants were not transferred to our DTC Participant Account No. [ ] [we did not receive from Euroclear a Euroclear Confirmation that proper delivery of the Warrants to which the Notice of Exercise delivered by you relates would be made on a timely basis], as set forth in the Warrant Agreement, dated as of January , 1994, among Paine Webber Group Inc., Citibank, N.A., and PaineWebber Incorporated. Accordingly, we have rejected your Notice of Exercise as being unsatisfactory as to form.

Capitalized terms used but not defined herein have the meanings assigned thereto in the Warrant Agreement.

Dated: , 19

CITIBANK, N.A., as Warrant  
Agent,

By \_\_\_\_\_  
Authorized Signature

74

C-1-1

EXHIBIT C-1

NOTICE OF REJECTION  
RELATING TO LIMIT OPTION

[For Warrants Represented  
by Warrant Certificates]

We refer to your Notice of Exercise dated , 19 , with respect to Warrants that were subject to the Limit Option. The applicable Reference Index for such Warrants is and the Spot Index for the date that would otherwise be the Valuation Date for such Warrants is . Such Spot Index is lower than the Reference Index on the Exercise Date (or if such date was not an Index Calculation Date, on the Index Calculation Date prior to the Exercise Date for such Warrants) by 20 points or more. Accordingly, we have rejected

such Notice of Exercise pursuant to the Limit Option.

Capitalized terms included herein but not defined have the meanings assigned thereto in the Warrant Agreement dated as of January , 1994, among Paine Webber Group Inc., Citibank, N.A., and PaineWebber Incorporated.

Dated: , 19

CITIBANK, N.A., as Warrant  
Agent,

By \_\_\_\_\_  
Authorized Signature

75

C-2-1

EXHIBIT C-2

NOTICE OF REJECTION  
RELATING TO LIMIT OPTION

[For Warrants Represented  
by the Global Warrant Certificate]

[Name of Depository Participant]  
[Name of Euroclear Participant]  
[Centrale de Livraison de Valeurs  
Mobilieres S.A.]  
[Address]

We refer to your Notice of Exercise dated , 19 , with respect to Warrants that were subject to the Limit Option. The applicable Reference Index for such Warrants is and the Spot Index for the date that would otherwise be the Valuation Date for such Warrants is . Such Spot Index is lower than the Reference Index on the Exercise Date (or if such date was not an Index Calculation Date, on the Index Calculation Date prior to the Exercise Date for such Warrants) by 20 points or more. Accordingly, we have rejected such Notice of Exercise pursuant to the Limit Option.

Capitalized terms included herein but not defined have

the meanings assigned thereto in the Warrant Agreement dated as of January  
, 1994, among Paine Webber Group Inc., Citibank, N.A., and PaineWebber  
Incorporated.

Dated: , 19

CITIBANK, N.A., as Warrant Agent,

By \_\_\_\_\_  
Authorized Signature

EXHIBIT 4

PAINE WEBBER GROUP INC.

and

CITIBANK, N.A., Warrant Agent

and

PAINEWEBBER INCORPORATED, Determination Agent

WARRANT AGREEMENT

dated as of January \_\_, 1994

AMEX Hong Kong 30 Index Put Warrants

Expiring January 17, 1996

	Page
PARTIES . . . . .	1
RECITALS . . . . .	1

ARTICLE I

ISSUANCE OF WARRANTS AND FORM,  
EXECUTION, DELIVERY AND REGISTRATION  
OF WARRANT CERTIFICATES AND  
GLOBAL WARRANT CERTIFICATE

SECTION 1.01. Issuance of Warrants . . . . .	1
SECTION 1.02. Form, Execution and Delivery of Warrant Certificates . . . . .	3
SECTION 1.03. Warrant Certificates . . . . .	3
SECTION 1.04. Registration of Transfers and Exchanges . . . . .	4
SECTION 1.05. Mutilated or Missing Warrant Certificates . . . . .	5
SECTION 1.06. Registered Holders . . . . .	6
SECTION 1.07. Global Warrant Certificate . . . . .	6

ARTICLE II

DURATION AND EXERCISE OF WARRANTS

SECTION 2.01. Duration of Warrants; Minimum Exercise Amounts; Notice of Exercise . . . . .	9
SECTION 2.02. Exercise and Delivery of Warrants . . . . .	10

1/ The Table of Contents is not a part of the Warrant Agreement.

3

ii

SECTION 2.03.	Automatic Exercise of Warrants; Exercise upon an Extraordinary Event or Exercise Limitation Event . . . . .	21
SECTION 2.04.	Limitation of Number of Exercisable Warrants . . . . .	28
SECTION 2.05.	Covenant of the Company . . . . .	29
SECTION 2.06.	Return of Money Held Unclaimed for Two Years . . . . .	29
SECTION 2.07.	Return of Global Warrant Certificate . . . . .	29

ARTICLE III

OTHER PROVISIONS RELATING TO  
RIGHTS OF WARRANTHOLDERS

SECTION 3.01.	Warrantholder of Warrant May Enforce Rights . . . . .	30
---------------	--	----

ARTICLE IV

WARRANTS ACQUIRED BY THE COMPANY;  
PAYMENT OF TAXES

SECTION 4.01.	Warrants Acquired by the Company . . . . .	30
---------------	--	----

SECTION 4.02.	Payment of Taxes . . . . .	30
---------------	----------------------------	----

ARTICLE V

CONCERNING THE WARRANT AGENT

SECTION 5.01.	Warrant Agent . . . . .	31
SECTION 5.02.	Conditions of Warrant Agent's Obligations . . . . .	31
SECTION 5.03.	Resignation and Appointment of Successor . . . . .	33

4

iii

ARTICLE VI

MISCELLANEOUS

SECTION 6.01.	Amendment . . . . .	35
SECTION 6.02.	Notices and Demands to the Company, the Warrant Agent and the Determination Agent . . . . .	36
SECTION 6.03.	Addresses for Notices . . . . .	36
SECTION 6.04.	Notices to Holders . . . . .	36
SECTION 6.05.	Obtaining Approvals . . . . .	36
SECTION 6.06.	Persons Having Rights Under This Agreement . . . . .	37
SECTION 6.07.	Inspection of Agreement . . . . .	37
SECTION 6.08.	Headings . . . . .	37
SECTION 6.09.	Counterparts . . . . .	37
SECTION 6.10.	APPLICABLE LAW . . . . .	37
TESTIMONIUM . . . . .		38
SIGNATURES . . . . .		38

EXHIBIT A - Form of Warrant Certificate

EXHIBIT A-1 - Form of Global Warrant Certificate

EXHIBIT A-2 - Notice of Exercise  
[For Warrants Represented by the Global  
Warrant Certificate]

EXHIBIT B - Confirmation of Exercise and Notice  
of Rejection [For Warrants Represented  
by Warrant Certificates]

EXHIBIT B-1 - Confirmation of Exercise and Notice of  
Rejection [For Warrants Represented by the  
Global Warrant Certificate]

5

iv

EXHIBIT C-1 - Notice of Rejection Relating to Limit Option  
[For Warrants Represented by Warrant  
Certificates]

EXHIBIT C-2 - Notice of Rejection Relating to Limit Option  
[For Warrants Represented by the Global  
Warrant Certificate]

6

1

#### WARRANT AGREEMENT

THIS AGREEMENT, dated as of January \_\_, 1994, among PAINE WEBBER GROUP INC., a corporation organized and existing under the laws of the State of Delaware (the "Company"), CITIBANK, N.A., a national banking association organized and existing under the laws of the United States of America (the "Warrant Agent"), and PAINWEBBER INCORPORATED, a corporation organized and existing under the laws of the State of Delaware (the "Determination Agent").

WHEREAS the Company proposes to sell put warrants (the "Warrants" or, individually, a "Warrant") representing the right to receive from the Company the amount, if any, in U.S. dollars determined by reference to decreases in the Index (as defined herein) on the terms and conditions set forth in this Agreement; and



WHEREAS the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing so to act, in connection with the issuance, transfer and exercise of the Warrants, and the Company desires to set forth herein, among other things, the provisions of the Warrants and the terms and conditions on which they may be issued, transferred, exercised and canceled;

NOW, THEREFORE, the parties hereto agree as follows:

## ARTICLE I

### ISSUANCE OF WARRANTS AND FORM, EXECUTION, DELIVERY AND REGISTRATION OF WARRANT CERTIFICATES AND GLOBAL WARRANT CERTIFICATE

SECTION 1.01. Issuance of Warrants. (a) The Warrants will constitute direct, unconditional and unsecured obligations of the Company and will rank on a parity with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt.

(b) Each Warrant shall represent the right, subject to the provisions contained herein, to receive the Cash Settlement Value or the Alternative Settlement Amount, as the case may be (each as defined herein), of such Warrant. In no event shall a registered or beneficial holder of a Warrant (each a "Warrantholder") be entitled to receive any interest on any Cash Settlement Value or Alternative Settlement Amount.

7

2

(c) Forty-five calendar days after January \_\_, 1994, each Warrantholder will have the option to convert the form in which such Warrantholder holds his Warrants from definitive to book-entry form (the "Conversion Option"). The Conversion Option will be available for forty-five calendar days from \_\_\_\_\_ 1994 through \_\_\_\_\_, 1994 (the "Conversion Option Period"). To utilize the Conversion Option a Warrantholder must deliver or arrange to deliver his Warrants to an entity (a "Participant") entitled to execute, clear and settle transactions through the Depository (as defined herein) through which such Warrantholder's beneficial interest after electing the Conversion Option will be

maintained, who will then deposit the Warrants with the Depository or its nominee. Once a Warrantholder has elected the Conversion Option such Warrantholder may hold his Warrants only in book-entry form and will not be able to change his election or withdraw from the book-entry system during the Conversion Option Period or thereafter. Accordingly, except as hereinafter provided, ownership of the Warrants in certificated form will no longer be available to Warrantholders who have elected the Conversion Option and ownership of the Warrants surrendered under the Conversion Option will be represented by a single certificate (the "Global Warrant Certificate"); provided, however, that if the Depository is at any time unwilling or unable to continue as securities depository for the Warrants and a successor Depository is not appointed by the Company within 90 days, the Company will reissue Warrant Certificates in exchange for the Global Warrant Certificate. In addition, the Company may at any time determine not to have the Warrants represented by a Global Warrant Certificate and, in such event, will issue Warrant Certificates in exchange for the Global Warrant Certificate. In either instance, and in accordance with the provisions of this Agreement, each Warrantholder will be entitled to have a number of Warrants equivalent to such Warrantholder's beneficial interest in the Global Warrant Certificate registered in the name of the Warrantholder and will be entitled to physical delivery of such Warrants in definitive form by a Participant. The provisions of Section 1.07 shall apply only if and when the Conversion Option is utilized and a Global Warrant Certificate is issued hereunder. Unless the context shall otherwise require, and subject to the provisions of Section 1.07, all references in this Agreement to the Warrant Certificates (other than in Sections 1.02, 1.03, 1.04, 1.05, 1.06 and 1.07) shall include the Global Warrant Certificate in the event that the Global Warrant Certificate is issued.

SECTION 1.02. Form, Execution and Delivery of Warrant Certificates. (a) The Warrants, whenever issued,

8

3

shall be represented by certificates in registered form substantially in the form set forth in Exhibit A hereto (the "Warrant Certificates"), with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement, and may represent any number of whole Warrants. The Warrant Certificates may have imprinted or otherwise reproduced thereon such letters, numbers or other marks of identification or designation and

such legends or endorsements as the officers of the Company executing the same may approve (execution thereof to be conclusive evidence of such approval) and which are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto, or with any rule or regulation of any stock exchange on which the Warrants may be listed, or of any securities depository, or to conform to usage. Warrant Certificates shall be signed on behalf of the Company by its chairman, its president or one of its vice presidents and under its corporate seal reproduced thereon and attested by its secretary or an assistant secretary. The signature of any of such officers may be either manual or facsimile. Typographical and other minor errors or defects in any such signature shall not affect the validity or enforceability of any Warrant Certificate that has been duly countersigned and delivered by the Warrant Agent.

(b) In case any officer of the Company who shall have signed a Warrant Certificate, either manually or by facsimile signature, shall cease to be such officer before such Warrant Certificate shall have been countersigned and delivered by the Warrant Agent to the Company or delivered by the Company, such Warrant Certificate nevertheless may be countersigned and delivered as though the person who signed such Warrant Certificate had not ceased to be such officer of the Company; and the Warrant Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Warrant Certificate, shall be a proper officer of the Company to sign such Warrant Certificate, although at the date of the execution of this Warrant Agreement any such person was not such officer.

SECTION 1.03. Warrant Certificates. Each Warrant Certificate, when signed on behalf of the Company in accordance with Section 1.02, shall be delivered to the Warrant Agent, which shall manually countersign and deliver the same to or upon the order of the Company. Each Warrant Certificate shall be dated the date of its countersignature. A Warrant Certificate shall not be valid for any purpose, and no Warrant evidenced thereby shall be exercisable, unless and until such Warrant Certificate has been countersigned by

the manual signature of the Warrant Agent. Such countersignature by the Warrant Agent upon any Warrant Certificate signed by the Company in accordance with Section 1.02 shall be conclusive evidence that the Warrant Certificate so counter-

signed has been duly issued hereunder.

SECTION 1.04. Registration of Transfers and Exchanges. (a) Except as otherwise provided herein or in the Warrant Certificate, the Warrant Agent shall from time to time register the transfer of any outstanding Warrant Certificates upon the records to be maintained by it for that purpose (the "Warrant Register") at the Warrant Agent's Office (as defined herein), subject to such reasonable regulations as the Company or the Warrant Agent may prescribe, upon surrender thereof, duly endorsed, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent and the Company, duly executed, by the registered holder(s) thereof or by the duly appointed legal representative thereof or by a duly authorized attorney, such signature to be guaranteed by a bank or trust company with a correspondent office in The City of New York or by a member of a national securities exchange. Upon any such registration of transfer, a new Warrant Certificate shall be issued to the transferee(s) and the surrendered Warrant Certificate shall be canceled by the Warrant Agent.

(b) At the option of a Warrantholder, Warrant Certificates may be exchanged for other Warrant Certificates, representing a like number of Warrants, upon surrender to the Warrant Agent of the Warrant Certificates to be exchanged at its offices maintained for such purpose (the location of which shall be provided to the Company), which shall be south of Chambers Street in the Borough of Manhattan, The City of New York (the "Warrant Agent's Office"), and which are, on the date of this Agreement, 111 Wall Street, New York, New York 10043, Attention: Corporate Trust Department, or at the office of any successor Warrant Agent (as provided in Section 5.03). Upon surrender of any Warrant Certificate for exchange, the Warrant Agent shall cancel such Warrant Certificate, and the Company shall execute, and the Warrant Agent shall countersign and deliver, in accordance with Sections 1.02 and 1.03, one or more new Warrant Certificates of like tenor and representing a like number of unexercised Warrants.

(c) Warrant Certificates issued upon transfer or exchange pursuant to Section 1.04(a) or (b) shall be valid obligations of the Company, evidencing the same obligations of the Company as the Warrant Certificates surrendered for transfer or exchange, and entitled to the same benefits

under this Agreement as were such Warrant Certificates prior to such surrender.

(d) Except as provided in Section 1.05, no service charge shall be made for any registration of transfer or exchange of Warrant Certificates, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates, other than exchanges pursuant to this Section 1.04 not involving any transfer.

(e) In the event that upon any exercise of Warrants evidenced by a Warrant Certificate the number of Warrants exercised shall be less than the total number of Warrants evidenced by such Warrant Certificate, there shall be issued to the holder thereof or his assignee a new Warrant Certificate evidencing the number of Warrants not exercised.

SECTION 1.05. Mutilated or Missing Warrant Certificates. (a) If any Warrant Certificate is mutilated, lost, stolen or destroyed, the Company may in its discretion execute, and the Warrant Agent may countersign and deliver, in exchange and substitution for and upon cancellation of the mutilated Warrant Certificate, or in lieu of the Warrant Certificate lost, stolen or destroyed, a new Warrant Certificate of like tenor and representing an equivalent number of Warrants, bearing an identification number not contemporaneously outstanding, but only (in case of loss, theft or destruction) upon receipt of evidence satisfactory to the Company and the Warrant Agent of such loss, theft or destruction of such Warrant Certificate and security or indemnity, if requested, also satisfactory to them. Applicants for such substitute Warrant Certificates shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company or the Warrant Agent may prescribe.

(b) In case any such mutilated, lost, stolen or destroyed Warrant Certificate has been or is about to be exercised, or deemed to be exercised, the Company in its absolute discretion may, instead of issuing a new Warrant Certificate, direct the Warrant Agent to treat the same as if it had received irrevocable notice of exercise in proper form in respect thereof, as provided herein, or as being subject to automatic exercise, as the case may be.

(c) Each new Warrant Certificate issued pursuant to this Section 1.05 in lieu of any lost, stolen or destroyed Warrant Certificate shall be an original,

additional contractual obligation of the Company, whether or not, in the case of any lost, stolen or destroyed Warrant Certificate, such Warrant Certificate shall at any time be enforceable by anyone, and shall be entitled to the same benefits under this Agreement as the Warrant Certificate that was lost, stolen or destroyed.

(d) Upon the issuance of any new Warrant Certificate in accordance with this Section 1.05, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Warrant Agent) connected therewith.

(e) The provisions of this Section 1.05 are exclusive and shall preclude (to the extent lawful) any other rights and remedies with respect to the replacement or payment of mutilated, lost, stolen or destroyed Warrant Certificates.

SECTION 1.06. Registered Holders. Prior to due presentment for registration of transfer, the Company, the Warrant Agent, and any agent of the Company or the Warrant Agent, may deem and treat the person in whose name a Warrant Certificate shall be registered in the Warrant Register (a "Registered Holder") as the absolute owner of the Warrants evidenced thereby (notwithstanding any notation of ownership or other writing thereon) for any purpose whatsoever, and as the person entitled to exercise the rights represented by the Warrants evidenced thereby, and neither the Company nor the Warrant Agent, nor any agent of the Company or the Warrant Agent, shall be affected by any notice to the contrary. This Section 1.06 shall be without prejudice to the rights of Warranholders as described elsewhere herein.

SECTION 1.07. Global Warrant Certificate.

(a) Any Global Warrant Certificate issued in accordance with this Section 1.07 shall be substantially in the form set forth in Exhibit A-1 hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement, and may represent any number of whole Warrants. The Global Warrant Certificate may have imprinted or otherwise reproduced thereon such letters, numbers or other marks of identification or designation and such legends or endorsements as the officers of the Company executing the same may approve (execution thereof to be conclusive evidence of such approval) and which are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or

regulation made pursuant thereto, or with any rule or regulation of any stock exchange on which

12

7

the Warrants may be listed or of any Depository referred to herein, or to conform to usage. The Global Warrant Certificate shall be signed on behalf of the Company upon the same conditions, in substantially the same manner and with the same effect as the Warrant Certificates.

(b) The Warrant Agent is authorized, from time to time during the Conversion Option Period, upon receipt of a Global Warrant Certificate from the Company, duly executed on behalf of the Company, to countersign such Global Warrant Certificate. The Global Warrant Certificate shall be manually countersigned and dated the date of its countersignature by the Warrant Agent and shall not be valid for any purpose unless so countersigned. The Warrant Agent shall deliver the Global Warrant Certificate to or upon the order of the Company against receipt of an appropriate amount of Certificated Warrants (such Certificated Warrants shall be destroyed or otherwise disposed of in accordance with instructions provided by the Company). One or more Global Warrant Certificates may be executed by the Company and delivered to the Warrant Agent on or after the date of execution of this Agreement; provided that only one Global Warrant Certificate shall be outstanding at any one time.

The Company reserves the right to issue, from time to time after the date of execution of this Agreement, additional Warrants, which Warrants shall in all respects be identical to Warrants previously issued and outstanding under this Agreement, and in connection therewith the Global Warrant Certificate may be exchanged for a new Global Warrant Certificate to reflect the issuance by the Company of such additional Warrants. To effect such an exchange the Company shall deliver to the Warrant Agent a new Global Warrant Certificate duly executed on behalf of the Company as provided in Section 1.02. The Warrant Agent shall authenticate the new Global Warrant Certificate as provided in this Section and shall deliver the new Global Warrant Certificate to the Depository in exchange for, and upon receipt of, the Global Warrant Certificate then held by the Depository. The Warrant Agent shall cancel the Global Warrant Certificate delivered to it by the Depository, destroy such Global Warrant Certificate and provide a certificate of destruction to the Company.

(c) The Global Warrant Certificate will



initially be registered in the name of a nominee of The Depository Trust Company, New York, New York (the "Depository", which term, as used herein, includes any successor securities depository selected by the Company). The Warrant holdings of the Participants will be recorded on the books of the Depository. The holdings of customers of the Participants

13

8

and the identity of the Warrantholders will be reflected on the books and records of such Participants and will not be known to the Warrant Agent, the Company or the Depository. The Global Warrant Certificate will be held by the Depository or its agent.

The Company may from time to time select a new entity to act as Depository with respect to the Warrants and, if such selection is made, the Company shall promptly give the Warrant Agent notice to such effect identifying the new Depository, and the Global Warrant Certificate shall be delivered to the Warrant Agent and shall be transferred to the new Depository as provided below as promptly as possible. Appropriate changes may be made in the forms of the Global Warrant Certificate, the notice of exercise and the related notices to be delivered in connection with an exercise to reflect the selection of the new Depository.

(d) Except as otherwise provided herein or in the Global Warrant Certificate, the Warrant Agent shall from time to time register the transfer of the Global Warrant Certificate in its records (which may be maintained electronically), subject to such reasonable regulations as the Company or the Warrant Agent may prescribe, only to the Depository, to another nominee of the Depository, to a successor Depository or to a nominee of a successor Depository, upon surrender of such Global Warrant Certificate, duly endorsed, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent and the Company, duly executed, by the registered holder thereof or by the duly appointed legal representative thereof, or by its duly authorized attorney, such signature to be guaranteed by a bank or trust company with a correspondent office in The City of New York or by a member of a national securities exchange. Upon any such registration of transfer, a new Global Warrant Certificate shall be issued to the transferee and the surrendered Global Warrant Certificate shall be canceled by the Warrant Agent.



The Global Warrant Certificate may be transferred as provided above at the option of the holder thereof, when surrendered to the Warrant Agent's Office, or at the office of any successor Warrant Agent (as provided in Section 5.03), for another Global Warrant Certificate of like tenor and representing a like number of unexercised Warrants.

14

9

## ARTICLE II

### DURATION AND EXERCISE OF WARRANTS

SECTION 2.01. Duration of Warrants; Minimum Exercise Amounts; Notice of Exercise. Subject to the limitations set forth herein and in Section 2.03, each Warrant may be irrevocably exercised, in whole but not in part, at or prior to 3:00 p.m., New York City time, on any New York Business Day (as defined herein) from its date of issuance until 3:00 p.m., New York City time, on the earlier of (i) the New York Business Day immediately preceding January 17, 1996 (the "Expiration Date"), and (ii) the Delisting Date (as defined herein). Except in the case of automatic exercise, each Warrant shall be irrevocably exercised either (i) in the case of Warrants represented by Warrant Certificates ("Certificated Warrants"), including Certificated Warrants held through CEDEL (as defined herein) or Euroclear (as defined herein), by surrender to the Warrant Agent (at its address as set forth in the Notice of Exercise (as defined below) or at such other address as the Warrant Agent may specify from time to time) of the Warrant Certificate representing such Warrant, with the Notice of Exercise duly completed and executed by the Registered Holder of such Warrant (or, in the case of Certificated Warrants held through the facilities of CEDEL or Euroclear, by CEDEL or a Euroclear participant, as the case may be) or (ii) in the case of Warrants represented by the Global Warrant Certificate ("Book-Entry Warrants") upon receipt by the Warrant Agent of such Warrant delivered free on the records of the Depository to the Warrant Agent's Depository Participant Account (entitled Citibank, N.A. Corporate Trust Warrant Agent Account, No. 2659, or such other account at the Depository as the Warrant Agent shall designate in writing to the Depository) (the "Warrant Account") pursuant to a Notice of Exercise to the Warrant Agent from a Participant, in the case of Book-Entry Warrants held through the Depository, CEDEL, in the case of such Warrants held through CEDEL, or a Euroclear participant, in the case of such Warrants held through Euroclear, acting, directly or indirectly, on behalf of the

Warrantholder; provided, however, that Notices of Exercise are subject to rejection by the Warrant Agent as provided herein. Not fewer than 500 Warrants in either certificated or book-entry form may be exercised by or on behalf of any one Warrantholder at any one time, except that no such minimum exercise amount shall apply in the case of automatic exercise on the Expiration Date or the Delisting Date, or in the case of cancellation of the Warrants as a result of an Extraordinary Event (as defined herein). Each Notice of Exercise shall be unconditional. Except as provided in Section 2.02(b), the

15

10

Warrant Agent shall be entitled, with no duty of inquiry, to rely conclusively on any Notice of Exercise received by it. "Notice of Exercise" means an irrevocable notice of exercise to the Warrant Agent at its address, which notice (A) for Certificated Warrants, shall be on the reverse of the Warrant Certificate or such other form as the Company and the Warrant Agent may approve, and (B) for Book-Entry Warrants, shall be substantially in the form set forth in Exhibit A-2 hereto or such other form as the Company and the Warrant Agent may approve and may be given by facsimile transmission. For purposes of this Agreement, "New York Business Day" means any day other than a Saturday, Sunday or a day on which either the American Stock Exchange or the New York Stock Exchange is not open for securities trading or commercial banks in New York City are required or authorized by law or executive order to remain closed.

SECTION 2.02. Exercise and Delivery of Warrants. (a) Except in the case of exercise on the Expiration Date or the Delisting Date, or in the event an Extraordinary Event or Exercise Limitation Event is declared, or in the case of a postponement pursuant to Section 2.04, or as a result of the exercise of a number of Warrants exceeding the limits on exercise set forth in Section 2.04, the valuation date (the "Valuation Date") for a Warrant shall be the first Index Calculation Date (as defined herein) following the applicable Exercise Date (as defined herein). The "Exercise Date" for a Warrant will be the New York Business Day on which the Warrant Agent has received (A) in the case of Warrants other than those held through the facilities of Centrale de Livraison de Valeurs Mobilieres S.A. ("CEDEL") or the Euroclear System ("Euroclear"), either (i) for Certificated Warrants, the Warrant Certificate representing such Warrant, with the Notice of Exercise or (ii) for Book-Entry Warrants, the Warrant with the Notice of Exercise duly completed and

executed, in either case, at or prior to 3:00 p.m., New York City time (the "Notice Date"); and if the Warrant Agent shall receive any such Warrant Certificate or Warrant or Notice of Exercise after 3:00 p.m., New York City time, on such date, then such Warrant Certificate or Warrant shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index Calculation Date following the New York Business Day on which the Warrant Agent is deemed to have received such Warrant Certificate or Warrant together with the Notice of Exercise or (B) in the case of Warrants held through the facilities of CEDEL or Euroclear, the Notice of Exercise (by facsimile transmission) at or prior to 3:00 p.m., New York City time; provided that the Warrant or Warrant Certificate

16

11

is received by the Warrant Agent by 3:00 p.m., New York City time, on the applicable Valuation Date; and if the Warrant Agent shall receive such Notice of Exercise after 3:00 p.m., New York City time, on any New York Business Day, then the Notice of Exercise shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index Calculation Date following the New York Business Day on which the Warrant Agent is deemed to have received such Notice of Exercise; provided, that if the Warrant Agent receives the Warrant or Warrant Certificate after 3:00 p.m., New York City time, on the Valuation Date, then the Exercise Date for such Warrant shall be the day on which such Warrant is received or, if such day is not a New York Business Day, the next succeeding New York Business Day, and the Valuation Date for such Warrant shall be the first Index Calculation Date following such Exercise Date; provided, further, however, that in the case of exercises by Euroclear participants, Euroclear must be tested telex to the Warrant Agent by 9:00 a.m., New York City time, on the Valuation Date confirm (a "Euroclear Confirmation") that the Warrants will be received by the Warrant Agent by 3:00 p.m., New York City time, on such Date. If such Euroclear Confirmation is received after 9:00 a.m., New York City time, on the Valuation Date, the Company will be entitled to direct the Warrant Agent to reject the related Notice of Exercise or waive the requirement for timely delivery of such Euroclear Confirmation. Any Warrant Certificate or Warrant received after 3:00 p.m., New York City time, on (i) the New York Business Day immediately preceding

the Expiration Date or (ii) the last New York Business Day prior to the effective date on which the Warrants are delisted from, or permanently suspended from trading (within the meaning of the Securities Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission thereunder) on, the American Stock Exchange and not accepted at the same time for listing on another United States national securities exchange (such New York Business Day being the "Delisting Date") (or, in the case of Warrants held through the facilities of CEDEL or Euroclear, after 3:00 p.m., New York City time, on the first Index Calculation Date following such Dates), shall be deemed not to have been delivered and the related Notice of Exercise shall be void and of no effect; provided, however, that if the Company first receives notice of the delisting or suspension of the Warrants on the same day on which such Warrants are delisted or suspended, such day will be deemed the Delisting Date for purposes of this Agreement. For purposes of this Agreement, "Index Calculation Date" means

17

12

any day the Index (as herein defined) or any Successor Index (as herein defined) or is calculated and published.

(b) The Warrant Agent shall, in the case of Warrants other than Warrants held through CEDEL or Euroclear, following receipt of proper delivery of a Warrant in accordance with Section 2.02(a), accompanied by a completed Notice of Exercise, and, in the case of Warrants held through CEDEL or Euroclear, following receipt of proper delivery of a completed Notice of Exercise in accordance with Section 2.02(a):

(i) promptly (1) for Certificated Warrants not held through CEDEL or Euroclear, determine whether such Notice of Exercise has been duly completed and is in proper form duly executed by the Registered Holder thereof or by the duly appointed legal representative thereof or by a duly authorized attorney, (2) for Certificated Warrants held through CEDEL or Euroclear, determine whether such Notice of Exercise has been duly completed and is in proper form duly executed by CEDEL or the Euroclear participant tendering such Warrant, as applicable, (3) for Book-Entry Warrants not held through CEDEL or Euroclear, determine whether such Notice of Exercise has been duly completed and is in proper form and (4) for Book-Entry Warrants held through

CEDEL or Euroclear, determine whether such Notice of Exercise has been duly completed and is in proper form duly executed by CEDEL or the Euroclear participant tendering such Warrant, as applicable; and if the Warrant Agent determines that the Notice of Exercise has not been duly completed or is not in proper form or, in the case of Certificated Warrants, has not been so executed, the Warrant Agent promptly (X) shall reject such Notice of Exercise and shall send to the entity that executed such Notice of Exercise a notice of rejection substantially in the form set forth in Exhibit B or Exhibit B-1 hereto, as the case may be, and, in the case of Certificated Warrants, shall return to the Registered Holder that submitted such Notice of Exercise, by first class mail, the Warrant Certificates evidencing such Warrants (to the extent received, in the case of Warrants held through CEDEL or Euroclear), or, in the case of Book-Entry Warrants, shall redeliver such Warrants (to the extent received in the case of Warrants held through CEDEL or Euroclear) free through the facilities of the Depository to the account from which they were transferred to the Warrant Agent and (Y) in either case, shall not take the actions required by clauses (ii)-(ix) below with respect to such Notice of Exercise or the related Warrants; provided, however,

18

13

that the Warrant Agent shall deliver a copy of the Notice of Exercise relating to such Warrants to the Company as required by Section 2.02(b)(ix) below and the Company may waive any defect in the form of such Notice of Exercise;

(ii) promptly telephone Euroclear to determine whether Euroclear anticipates that it will be able to provide a Euroclear Confirmation with respect to each Warrant held through Euroclear for which a Notice of Exercise was received;

(iii) notify the Company and the Determination Agent (and such other parties (not to exceed two) as the Company shall designate in writing) by 5:00 p.m., New York City time, on the New York Business Day that such Notice of Exercise has been received (or shall be deemed to have been received) of (A) the total number of Warrants covered by such Notice

of Exercise, (B) the number of such Warrants subject to the Limit Option (as defined herein) ("Contingently Tendered Warrants"), (C) the number of such Warrants not subject to the Limit Option and (D) the number of such Warrants, if any, as to which Euroclear has not advised the Warrant Agent that it anticipates being able to provide a Euroclear Confirmation;

(iv) with respect to Warrants held through Euroclear, determine whether the Warrant Agent has received by 9:00 a.m., New York City time, on the Valuation Date relating to such Warrants (or if the Valuation Date is not a New York Business Day, on the next succeeding New York Business Day), Euroclear Confirmations with respect to such Warrants, and if the Warrant Agent has not received any such Euroclear Confirmation by such time, notify the Company (and such other parties (not to exceed two) as the Company shall designate in writing) by 10:00 a.m., New York City time, on such Valuation Date (or if the Valuation Date is not a New York Business Day, on the next succeeding New York Business Day) of the number of such Warrants in respect of which the Warrant Agent has not received such Euroclear Confirmations and (except to the extent the Company has notified the Warrant Agent that it has waived the timing requirement of timely delivery of such Euroclear Confirmation) send to the Euroclear participant that executed such Notice of Exercise for which no related Euroclear Confirmation was received (at the address specified in such notice) a notice of rejection substantially in the form set forth in Exhibit B or Exhibit B-1 hereto, as the case may be;

19

14

(v) if any of the Warrants covered by such Notice of Exercise constitute Contingently Tendered Warrants, the Warrant Agent shall, by 5:00 p.m., New York City time, on the Valuation Date (or, if such Valuation Date is not a New York Business Day, on the next succeeding New York Business Day) (A) determine the Reference Index (as defined herein) for such Warrants and the Spot Index (as defined herein) for the Index Calculation Date that, but for the provisions of Section 2.02(h), would be the

Valuation Date for such Warrants; (B) determine in accordance with Section 2.02(h) whether such Contingently Tendered Warrants will be subject to exercise after giving effect to the Limit Option and, if such Warrants will not be subject to exercise, send to the Registered Holder (or the entity that executed the Notice of Exercise, in the case of Certificated Warrants held through CEDEL or Euroclear), in the case of Certificated Warrants, or to the Participant, in the case of Book-Entry Warrants, that submitted such Notice of Exercise a notice of rejection substantially in the form set forth in Exhibit C-1 or Exhibit C-2 hereto, as appropriate, with respect to such Warrants and return to the Registered Holder (or the entity that executed the Notice of Exercise, in the case of Certificated Warrants held through CEDEL or Euroclear) that submitted such Notice of Exercise, by first class mail, the Warrant Certificates (to the extent received, in the case of Warrants held through CEDEL or Euroclear) evidencing such Warrants, or, in the case of Book-Entry Warrants (to the extent received, in the case of Warrants held through CEDEL or Euroclear), redeliver the Warrants free through the facilities of the Depository to the account of such Participant; and (C) notify the Company and the Determination Agent as to whether such Contingently Exercised Warrants will be subject to exercise;

(vi) by 5:00 p.m., New York City time, on the Valuation Date (or, if such Valuation Date is not a New York Business Day, on the next succeeding New York Business Day) (A) determine the sum of (1) the number of such Warrants not subject to the Limit Option (i.e., the number of Warrants determined pursuant to clause (iii)(C) above) plus (2) the number of such Warrants that are Contingently Exercised Warrants that will be subject to exercise notwithstanding the Limit Option (i.e., the number of Warrants so identified pursuant to clause (v)(B) above) (all of such Warrants, the "Exercised Warrants") and (B) notify the Company and the Determination Agent of the total number of Exercised Warrants so determined (if such number is zero, the Warrant Agent shall not take the actions required by

clauses (vii) and (viii) with respect to such Notice



of Exercise or the related Warrants);

(vii) calculate the Cash Settlement Value of the Exercised Warrants (excluding any Warrants held through CEDEL or Euroclear as to which timely delivery of the related Warrant has not been made) as of their Valuation Date in the manner set forth in Section 2.02(d) by no later than 5:00 p.m., New York City time, on the New York Business Day next succeeding the Valuation Date (or, if such Valuation Date is not a New York Business Day, on the next succeeding New York Business Day) (unless the Cash Settlement Value shall be calculated by the Determination Agent);

(viii) notify the Company (and such other parties (not to exceed two) as the Company shall designate in writing) by 12:00 noon, New York City time, on the New York Business Day next succeeding the Valuation Date (or, if such Valuation Date is not a New York Business Day, on the New York Business Day following the New York Business Day next succeeding the Valuation Date) of the Cash Settlement Value payable in respect of the exercise of such Exercised Warrants, and send notices of confirmation substantially in the form included in Exhibit B or Exhibit B-1 hereto, as the case may be, to the appropriate Registered Holder (or the entity that executed the related Notice of Exercise, in the case of Certificated Warrants held through CEDEL or Euroclear) or Participant specifying therein the reference number assigned by the Warrant Agent to each accepted Notice of Exercise; and

(ix) promptly deliver a copy of each Notice of Exercise to the Company and advise the Company of such other matters relating to the Exercised Warrants as the Company shall reasonably request. Any notice to be given to the Company by the Warrant Agent pursuant to this Section 2.02 or Section 2.03 shall be by telephone (promptly confirmed in writing) or telecopy.

Except in the case of Warrants subject to automatic exercise and for Warrants that upon exercise entitle the holder thereof to receive an Alternative Settlement Amount in lieu of the Cash Settlement Value, if on any Valuation Date the Cash Settlement Value for any Warrants then exercised would be zero, then in such case, the exercise of such Warrants shall be ignored and either (i) for Certificated Warrants, the Warrant Certificate evidencing such Warrants (to



the extent received, in the case of Warrants held through CEDEL or Euroclear) shall be promptly

21

16

returned by the Warrant Agent to the Registered Holder (or the entity that executed the related Notice of Exercise, in the case of Certificated Warrants held through CEDEL or Euroclear) by first class mail or (ii) for Book-Entry Warrants, the Warrants will be transferred by the Warrant Agent back to the Participant that submitted them free on the records of the Depository (to the extent received, in the case of Warrants held through CEDEL or Euroclear) and, in either case such Warrantholder shall be permitted to exercise such Warrants prior to the Expiration Date or the Delisting Date, as the case may be.

(c) Provided that the Company has made adequate funds available to the Warrant Agent in a timely manner, which shall (a) in the case of Warrants not held through the facilities of the Depository, CEDEL or Euroclear, in no event be later than 3:00 p.m., New York City time, on the fifth New York Business Day following a Valuation Date (or, if the Valuation Date is not a New York Business Day, on the fifth New York Business Day following the New York Business Day next succeeding the Valuation Date) and (b) in the case of Warrants held through the facilities of the Depository, CEDEL or Euroclear, in no event be later than 3:00 p.m., New York City time, on the sixth New York Business Day following a Valuation Date (or if the Valuation Date is not a New York Business Day, on the sixth New York Business Day following the New York Business Day next succeeding the Valuation Date (the "Settlement Date"), the Warrant Agent will be responsible for making its payment available either (i) for Certificated Warrants, to each appropriate Registered Holder in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar account maintained by such Registered Holder in the United States (at such Registered Holder's election as specified in the applicable Notice of Exercise), after 3:00 p.m., New York City time, but prior to the close of business, on the first New York Business Day immediately succeeding such Settlement Date or (ii) for Book-Entry Warrants, to each appropriate Participant in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. Dollar account maintained by such Participant in the United States (at the Participant's election as specified in the Notice of Exercise), after 3:00 p.m., New York City time,

but prior to the close of business, on the first New York Business Day immediately succeeding such Settlement Date. For either clause (i) or (ii) above, such payment shall be in the amount of the aggregate Cash Settlement Value in respect of the Warrant Certificates or Warrants that were delivered to the Warrant Agent (together

22

17

with the related Notice of Exercise) as provided in Sections 2.01 and 2.02(a) and (b).

(d) The "Cash Settlement Value" of an exercised Warrant shall be an amount in U.S. dollars equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which \_\_\_\_\_ (the "Strike Index") exceeds the closing level of the Index as compiled and published by the AMEX, on the applicable Valuation Date for such Warrant (the "Spot Index"), divided by three, divided by (C) the exchange rate of H.K. \$\_\_\_\_\_ per \$1.00; provided, however, that if such amount is less than zero, then the Cash Settlement Value shall be zero.

The "Index" is the AMEX Hong Kong 30 Index designed, developed, maintained and operated by the American Stock Exchange (the "AMEX"). References in this Agreement to "U.S. dollars", "U.S.\$" or "\$" are to the lawful currency of the United States of America, and references to "Hong Kong dollars" or "H.K.\$" are to the lawful currency of Hong Kong.

(e) In the event a Global Warrant Certificate is issued, the Warrant Agent shall cause its records, which may be kept electronically, to be marked to reflect the reduction in the number of Warrants represented by the Global Warrant Certificate by the number of Warrants that were delivered to the Warrant Account and for which payment has been made as provided in Section 2.02(c) promptly after such delivery and payment. Absent manifest error, the Warrant Agent's records shall be conclusive evidence of such matters.

(f) The Company hereby appoints PaineWebber Incorporated, and PaineWebber Incorporated accepts such appointment, to be the Company's Determination Agent to make such calculations as may be required upon the occurrence of any of the circumstances described in Section 2.02(g) or 2.03, including, without limitation, calculation of the Cash Settlement Value or the Alternative Settlement Amount, as applicable, of a Warrant. The Determination Agent shall act as an independent expert and not as an agent of the Company,

and, unless otherwise provided by this Agreement, its calculations and determinations under this Agreement shall, absent manifest error, be final and binding on the Company, the Warrant Agent, the Warrantholders and any Participant. Any such calculations will be made available to a Warrantholder for inspection at the Warrant Agent's Office.

The Company agrees, for the benefit of the Warrantholders from time to time of the Warrants, that there

23

18

shall at all times be a Determination Agent hereunder until all the Warrants are no longer outstanding or until moneys for the payment of all outstanding Warrants, if any, shall have been paid to the Warrant Agent and shall have been returned to the Company as provided in Section 2.06, whichever occurs earlier. Resignation, removal and appointment of the Determination Agent shall be in accordance with the procedures set forth for the resignation, removal and appointment of the Warrant Agent, as provided in Section 5.03, except that a successor Determination Agent need not be a banking institution with offices south of Chambers Street in the Borough of Manhattan, The City of New York, and may only be appointed if such successor has been nominated by the Company and approved by the predecessor Determination Agent.

The Company agrees promptly to pay the Determination Agent the compensation to be agreed upon with the Company for all services rendered by the Determination Agent hereunder. The Company also agrees to indemnify the Determination Agent for, and to hold it harmless against, any loss, liability, cost or expense (including reasonable attorneys' fees and expenses) incurred by the Determination Agent by reason of its being made a party to a suit or claim arising out of this Agreement; provided, however, that such indemnity shall in no event apply to the extent that any such loss, liability, cost or expense is a result of the negligence, bad faith or breach of this Agreement on its part in connection with the services rendered by it hereunder. The indemnity obligation of the Company shall continue notwithstanding the termination of this Agreement or the resignation or removal of the Determination Agent.

(g) In the event that the Index is not calculated and publicly announced by the AMEX on a Valuation Date but is calculated and publicly announced by another person or party not affiliated with the Company and acceptable to the Company (the "Third Party"), the applicable Cash

Settlement Value shall nevertheless be calculated by reference to the value of the closing quotation for the Index so announced by the Third Party.

In the event that prior to a Valuation Date the AMEX or the Third Party makes a material change in the formula for, or the method of calculating the Index, the Determination Agent shall make such calculations as may be required to determine the applicable Cash Settlement Value using the formula and method of calculating the Index as was in effect prior to such change or modification.

24

19

If on a Valuation Date either the AMEX or any Third Party discontinues publication of the Index and publishes a successor or substitute index that the Company determines, in its sole discretion, to be comparable to the Index (any such index being a "Successor Index"), the Determination Agent shall determine the Spot Index for any date thereafter based on the closing level of the Successor Index on such date. If the AMEX and/or any Third Party discontinues publication of the Index and/or any Successor Index, the Company will cause the Determination Agent to determine the applicable Cash Settlement Value based on the formula and method used in calculating the Index or any Successor Index as in effect on the date the Index or such Successor Index was last published.

If calculation or publication of the Index or a Successor Index is modified, discontinued or suspended, as provided in this Section 2.02(g), then the Determination Agent shall promptly notify the Warrant Agent, and the Warrant Agent shall in turn promptly notify the Warrantholders in accordance with Section 6.04 hereof, of such modification, discontinuance or suspension and of any modification or adjustment to be made with respect to calculation of the Cash Settlement Value or Alternative Settlement Amount, as applicable.

The Determination Agent will have no responsibility for good faith errors or omissions in calculating or disseminating information regarding the Index, any Successor Index, adjustments or calculations by the Determination Agent (as provided above) in order to arrive at a calculation of a stock index comparable to the Index or any Successor Index, or the Cash Settlement Value or the Alternative Settlement Amount, as applicable.

(h) Except in the case of an automatic

exercise (as provided in Section 2.03 below) and except upon the occurrence of an Extraordinary Event as a result of which an Alternative Settlement Amount is payable (as provided in Section 2.03 below) in connection with any exercise of Warrants, the related Notice of Exercise may specify that such exercise (including any exercise following a postponed Valuation Date pursuant to Section 2.03(b), if the Cash Settlement Value is to be paid with respect to such Warrants), be subject to the condition that the Spot Index that would otherwise be used to determine the Cash Settlement Value of such Warrants not be 20 or more points higher than the Reference Index for such Warrants. "Reference Index", with respect to any Contingently Tendered Warrants, means the Spot Index on the New York Business Day that such Notice of Exercise has been received (or shall be deemed to have

25

20

been received) (or, if such New York Business Day is not an Index Calculation Date, on the first Index Calculation Date preceding such New York Business Day). The option of a Warrantholder to condition an exercise of Warrants as provided in this Section 2.02(h) is herein referred to as the "Limit Option". If a Warrantholder elects the Limit Option in connection with any exercise of Warrants, the following provisions shall apply:

(i) To be valid, such election must be specified in the related Notice of Exercise. Each of the Warrant Agent and the Company shall be entitled to rely conclusively on such Notice of Exercise, as received by the Warrant Agent, in determining whether such election has been validly made. In connection with any exercise of 500 or more Warrants, a Warrantholder may elect to subject only a portion of such Warrants to the Limit Option; provided that the number of such Warrants subject to the Limit Option and the number of such Warrants not subject to the Limit Option shall in each case not be less than 500. Registered Holders and Participants shall be required to certify that the number of Warrants exercised on behalf of any Warrantholder pursuant to the related Notice of Exercise that are subject to the Limit Option is an amount that is not less than 500.

(ii) The Reference Index shall be determined by the Warrant Agent, which determination shall be conclusive and binding for all purposes relating to

such exercise.

(iii) In the event that the Spot Index for the first Index Calculation Date following the New York Business Day that such Notice of Exercise has been received (or shall be deemed to have been received) (i.e., for the day that, but for the provisions of Section 2.02(h), would be the Valuation Date for such Warrants) is 20 or more points higher than the Reference Index for such Warrants, such Warrants (A) shall not be subject to exercise and shall be treated for all purposes of this Agreement and the Warrant Certificates and Global Warrant Certificate as if the related Notice of Exercise had never been received by the Warrant Agent, and (B) shall not constitute "Exercised Warrants" for purposes of Section 2.02(b). If such Spot Index is not 20 or more points higher than such Reference Index, such Warrants shall be subject to exercise as provided in this Section 2.02 and shall be deemed to be "Exercised Warrants" for such purposes. The Warrant

26

21

Agent's determination shall be conclusive and binding for all purposes relating to such Warrants.

(iv) Except as provided in Section 2.03(b), the Limit Option (based on the Reference Index as determined for the New York Business Day that such Notice of Exercise has been received (or shall be deemed to have been received) or, if applicable, the first Index Calculation Date preceding such New York Business Day) shall continue to be applicable to any Exercised Warrant for which the Valuation Date has been postponed as a result of the occurrence of an Extraordinary Event or an Exercise Limitation Event until the Warrants are canceled as provided in Section 2.03(b) or until the Expiration Date or the Delisting Date.

SECTION 2.03. Automatic Exercise of Warrants; Exercise upon an Extraordinary Event or Exercise Limitation Event. (a) All Warrants for which the Warrant Agent has not received a Notice of Exercise in proper form by 3:00 p.m., New York City time, on (i) the New York Business Day immediately preceding the Expiration Date or (ii) the Delisting Date, as the case may be, or for which the Warrant Agent has received a Notice of Exercise in proper form but with respect to which

timely delivery of the relevant Warrants has not been made, and which have not been canceled prior to such time, will be deemed automatically exercised on such date without any requirement of a Notice of Exercise to the Warrant Agent. The Exercise Date for such Warrants shall be the Expiration Date or the Delisting Date, as the case may be, or, if such Date is not a New York Business Day, the next succeeding New York Business Day, and the Valuation Date for such Warrants shall be the first Index Calculation Date following the Exercise Date for such Warrants.

The Warrant Agent shall by 5:00 p.m., New York City time, on the Expiration Date or the Delisting Date, as the case may be (or if such date is not a New York Business Day on the next succeeding New York Business Day), notify the Company (and such other parties (not to exceed two) as the Company shall designate in writing) of the number of Warrants to be automatically exercised on such day. On the Valuation Date for such Warrants (or, if such Valuation Date is not a New York Business Day, on the next succeeding New York Business Day), the Warrant Agent shall (i) determine the Cash Settlement Value (in the manner provided in Section 2.02(d)) of the Warrants to be automatically exercised; (ii) by 5:00 p.m., New York City time, on the New York Business Day next succeeding such Valuation Date, notify the Company (and such other parties (not to exceed two) as the Company

27

22

shall designate in writing) of the Cash Settlement Value payable in respect of such exercised Warrants; and (iii) advise the Company of such other matters relating to the exercised Warrants as the Company shall reasonably request.

If the Company determines that an Extraordinary Event or an Exercise Limitation Event (as defined herein) has occurred and is continuing on the Expiration Date or the Delisting Date, the Company shall so notify the Warrant Agent and the Determination Agent, and the Cash Settlement Value with respect to the Exercised Warrants shall be equal to, and be calculated in the same manner as, an "Alternative Settlement Amount", in accordance with Section 2.03(b) herein (treating the Expiration Date or the Delisting Date, as the case may be, as the date on which the Warrants were canceled for the purposes of Section 2.03(b)).

With respect to all Warrants subject to automatic exercise (other than Book-entry Warrants and Warrants subject to postponed exercise following the occur-



rence of an Extraordinary Event or an Exercise Limitation Event as described in Section 2.03(b)), the Company shall make available to the Warrant Agent, not later than 3:00 p.m., New York City time, on the fourth New York Business Day following the Valuation Date for automatically Exercised Warrants (or if such Valuation Date is not a New York Business Day, on the fourth New York Business Day following the New York Business Day next succeeding the Valuation Date) (in any such case, the "Automatic Settlement Date"), funds in an amount equal to, and for the payment of, the aggregate Cash Settlement Value of such Warrants. Subject to such funds having been made available as provided in the preceding sentence, the Warrant Agent will be responsible for making its payment available to the appropriate Registered Holder in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar account maintained by such Registered Holder in the United States (at such Registered Holder's election), after 3:00 p.m., New York City time, but prior to the close of business, on the Automatic Settlement Date, against receipt by the Warrant Agent at the Warrant Agent's Office from such Registered Holder of its Warrant Certificates. Such payment shall be in the amount of the aggregate Cash Settlement Value in respect of the Warrants, evidenced by such Warrant Certificates, that were exercised automatically on the Expiration Date or the Delisting Date, as the case may be. Warrant Certificates delivered to the Warrant Agent shall thereafter be promptly canceled by the Warrant Agent.

28

23

In the case of Book-Entry Warrants subject to automatic exercise (other than Warrants subject to postponed exercise following the occurrence of an Extraordinary Event or an Exercise Limitation Event as described in Section 2.03(b)), the Company shall make available to the Warrant Agent, not later than 3:00 p.m., New York City time, on the Automatic Settlement Date, funds in an amount equal to, and for the payment of, the aggregate Cash Settlement Value of such Warrants. Subject to such funds having been made available as provided in the preceding sentence, the Warrant Agent will be responsible for making funds available to the Depository, against receipt of the Global Warrant Certificate, after 3:00 p.m., New York City time, but prior to the close of business, on the Automatic Settlement Date, such check to be in an amount equal to the aggregate Cash Settlement Value of the Warrants subject to such automatic exercise.

The Company will advise the Warrant Agent as



soon as practicable of the date of any expected delisting or permanent suspension of trading of the Warrants and will immediately inform the Warrant Agent after the Company has received notice that such delisting or suspension has occurred, but in no event will notice of such delisting or suspension be given to the Warrant Agent later than 9:30 a.m., New York City time, on the New York Business Day following the date that such delisting or suspension occurs. The Company will use its best efforts to notify the Warrantholders, or cause the Warrantholders to be notified, as promptly as practicable of any expected delisting or suspension of trading of the Warrants.

(b) Upon the occurrence of an Extraordinary Event or an Exercise Limitation Event, the Company shall use its best efforts to notify the Warrant Agent and the Determination Agent promptly that an Extraordinary Event or Exercise Limitation Event, as the case may be, has occurred and shall promptly notify the Warrantholders, through publication in a United States newspaper with a national circulation, or through other means deemed appropriate by the Company ("Publication"), that an Extraordinary Event or an Exercise Limitation Event has occurred. Anything in this Agreement to the contrary notwithstanding, if the Company determines that an Extraordinary Event or Exercise Limitation Event has occurred and is continuing on the Hong Kong Business Day with respect to which the Spot Index on a Valuation Date is to be determined (the "Applicable Hong Kong Business Day"), then the Cash Settlement Value of any Warrants shall be calculated on the basis that the Valuation Date shall be the next Index Calculation Date following an Applicable Hong Kong Business Day on which there is no Extraordinary Event

29

24

or Exercise Limitation Event; provided, however, that if the Cash Settlement Value of such Warrants is not calculated on or prior to the Expiration Date or the Delisting Date, then the Warrantholders shall receive the Alternative Settlement Amount in lieu of the Cash Settlement Value, which shall be calculated as if such Warrants had been canceled on the Expiration Date or the Delisting Date, as the case may be.

If the Company determines that an Extraordinary Event has occurred and is continuing, and if it is expected by the Company to continue, the Company may immediately cancel the Warrants by notifying the Warrant Agent of such cancellation (the date such notice is given being the "Cancellation Date"), and each Warrantholder's rights with respect to the Warrants and under this Agreement shall thereupon cease;

provided, however, that each Warrant shall be exercised (even if such Warrant would not otherwise be exercisable on such Date because of the Limit Option) on the basis that the Valuation Date for such Warrant shall be the Cancellation Date and each Warrantholder shall have the right to receive an Alternative Settlement Amount (as defined herein) with respect to its Warrants. The Company shall use its best efforts to promptly notify the Warrantholders through Publication of such cancellation.

With respect to all Warrants as to which the Valuation Date has been postponed or which have been canceled as described above, the Company shall make available to the Warrant Agent not later than 3:00 p.m., New York City time, on the third New York Business Day following the date on which the Cash Settlement Value or Alternative Settlement Amount, as the case may be, has been calculated (the "Alternative Settlement Date"), funds in an amount equal to, and for the payment of, the aggregate Cash Settlement Value or Alternative Settlement Amount, as applicable, of such Warrants. Subject to such funds having been made available as provided in the preceding sentence, the Warrant Agent will be responsible for making a payment (i) in the case of Certificated Warrants, to each Registered Holder that submitted a Warrant Certificate for exercise or (ii) in the case of Book-Entry Warrants, to the Depository, after 3:00 p.m., New York City time, but prior to the close of business, on the Alternative Settlement Date, in an amount equal to the aggregate Cash Settlement Value or Alternative Settlement Amount of such Exercised Warrants.

The "Alternative Settlement Amount" shall be an amount, determined by the Determination Agent, which is the greater of (i) the average of the last sale prices, as available, of the Warrants on the AMEX (or any successor securities exchange on which the Warrants are listed) on the

30

25

30 trading days preceding the date on which such Extraordinary Event was declared; provided that, if the Warrants were not traded on the AMEX (or such successor securities exchange) on at least 20 of such trading days, no effect will be given to this clause (i) for the purpose of determining the Alternative Settlement Amount, and (ii) the amount "X" calculated using the formula set forth below:

$$X = I + T \times A$$
$$\frac{-}{2} \quad \frac{-}{B}$$

where

I = the Cash Settlement Value of the Warrants determined as described under Section 2.02(d), but subject to the following modifications:

(1) if the Calculation Date for such Warrants is a date on which the Index or a Successor Index is calculated and published, for the purpose of determining such Cash Settlement Value, the Spot Index will be determined as of such Cancellation Date except that, if the Spot Index as of such day is less than 90% of the Spot Index as of the immediately preceding Index Calculation Day, then the Spot Index will be deemed to be 90% of the Spot Index on such preceding Index Calculation Day; or

(2) if the Calculation Date for such Warrants is a date on which the Index or a Successor Index is not calculated or published, for the purpose of determining such Cash Settlement Value, the Spot Index will be deemed to be the lesser of (i) the Spot Index as of the first Index Calculation Day immediately preceding the Cancellation Date except that, if the Spot Index as of such day is less than 90% of the Spot Index as of the second Index Calculation Day immediately preceding such Cancellation Date, 90% of the Spot Index as of such second Index Calculation Day and (ii) the arithmetic average of four amounts, being (a) the Spot Index at each of the three successive Index Calculation Days immediately preceding the Cancellation Date and (b) the Spot Index at the next Index Calculation Day; provided that if an Extraordinary Event described in clause (i) of the definition of Extraordinary Event continues for 30 consecutive days immediately following such Cancellation Date, then the Determination Agent shall calculate an amount which, in its reasonable opinion, fairly reflects the value of the stocks which comprise the Index or any Successor Index on the Index Calculation Day immediately following such Cancellation

Date which, subject to approval by the Company (such

approval not to be unreasonably withheld), shall for purposes of calculating the amount under this clause (2) (ii) be treated as the figure arrived at under clause (2) (ii) (b);

T = U.S. \$ \_\_\_\_\_

A = the total number of days from but excluding the Cancellation Date for such Warrants to and including the Expiration Date; and

B = the total number of days from but excluding the date the Warrants were initially sold to and including the Expiration Date.

For purposes of determining "I" in the above formula, in the event that the Determination Agent and the Company are required, but have not, after good faith consultation with each other and within five days following the first day on which such Alternative Settlement Amount may be calculated in accordance with the above formula, agreed upon a figure under clause 2(ii)(b) above which fairly reflects the value of the stocks which comprise the Index on the Cancellation Date, then the Determination Agent shall promptly nominate a third party, subject to approval by the Company (such approval not to be unreasonably withheld), to determine such figure and calculate the Alternative Settlement Amount in accordance with the above formula. Such party shall act as an independent expert and not as an agent of the Company or the Determination Agent, and its calculation and determination of the Alternative Settlement Amount shall, absent manifest error, be final and binding on the Company, the Warrant Agent, the Determination Agent and the Warrantholders. Any such calculations will be made available to a Warrantholder for inspection at the Warrant Agent's Office. Neither the Company nor such third party shall have any responsibility for good faith errors or omissions in calculating the Alternative Settlement Amount.

(c) For purposes of this Agreement, an "Extraordinary Event" shall mean any one of the events, circumstances or causes listed below:

(i) a suspension or absence of trading on the Hong Kong Stock Exchange Ltd. (the "HKSE") of all the stocks which then comprise the Index or a successor index; or

(ii) the enactment, publication, decree or other promulgation of any statute, regulation, rule

of any court or any other U.S. or non-U.S. governmental authority which would make it unlawful for the Company to perform any of its obligations under this Agreement or the Warrants; or

(iii) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities which in the opinion of the Company may materially and adversely affect the economy of Hong Kong or the trading of securities generally on the HKSE) which has or will have a material adverse effect on the ability of the Company to perform its obligations under the Warrants or to modify the hedge of its position with respect to the Index.

For the purposes of determining whether an Extraordinary Event has occurred: (1) a limitation on the hours or number of days of trading will not constitute an Extraordinary Event if it results from an announced change in the regular business hours of the HKSE, and (2) an "absence of trading" on the HKSE will not include any time when the HKSE itself is closed for trading under ordinary circumstances.

(d) For purposes of this Agreement, an "Exercise Limitation Event" shall mean any one of the events, circumstances or causes listed below:

(i) a suspension or absence of trading on the HKSE of (a) 20% or more of the stocks which then comprise the Index or a Successor Index and/or (b) the stocks of any three of the four most highly capitalized companies included in the stocks which then comprise the Index or a Successor Index; or

(ii) the suspension or material limitation on the Hong Kong Futures Exchange Ltd. (the "HK Futures Exchange") or any other major futures or securities market of trading in futures or options contracts related to the Hang Seng Index, the Index or a Successor Index.

For the purposes of determining whether an

Exercise Limitation Event has occurred: (1) a limitation on the hours or number of days of trading will not constitute an Exercise Limitation Event if it results from an announced change in the regular business hours of the relevant exchange, (2) a decision to permanently discontinue trading in the relevant contract will not constitute an Exercise Limitation Event, (3) a suspension in trading in a futures or options contract on the Hang Seng Index, the Index or a

33

28

Successor Index by the HK Futures Exchange or other major futures or securities market by reason of (x) a price change violating limits set by the HK Futures Exchange or such futures or securities market, (y) an imbalance of orders relating to such contracts or (z) a disparity in bid and ask quotes relating to such contracts will constitute a suspension or material limitation of trading in futures or options contracts related to the Hang Seng Index, the Index or a Successor Index, (4) an "absence of trading" on the HK Futures Exchange or a major futures or securities market on which futures or options contracts related to the Hang Seng Index, the Index or a Successor Index are traded will not include any time when the HK Futures Exchange or such futures or securities market, as the case may be, itself is closed for trading under ordinary circumstances and (5) the occurrence of an Extraordinary Event described in clause (i) of the definition of Extraordinary Event will not constitute, and will supersede the occurrence of, an Exercise Limitation Event.

SECTION 2.04. Limitation of Number of Exercisable Warrants. All exercises of Warrants (other than on the Expiration Date or the Delisting Date or upon cancellation of the Warrants as provided in Section 2.03(b)) shall be subject, at the Company's option, to the limitation that not more than 1,000,000 Warrants in total may be exercised on any Exercise Date and not more than 250,000 Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any other person or entity, on any Exercise Date. If any New York Business Day would otherwise, under the terms hereof, be the Exercise Date in respect of more than 1,000,000 Warrants, then upon the Company's exercising such option (by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such Exercise Date), 1,000,000 of such Warrants shall be deemed exercised on such Exercise Date

[(selected by the Warrant Agent on a pro rata basis, but if, as a result of such pro rata selection, any Registered Holders would be deemed to have exercised less than 500 Warrants, then the Warrant Agent shall first select additional of such holders, Warrants so that no holder shall be deemed to have exercised less than 500 Warrants)], and the remainder of such Warrants (the "Remaining Warrants") shall be deemed exercised on the following New York Business Day (subject to successive applications of this Section 2.04); provided that any Remaining Warrant in respect of which a Notice of Exercise was delivered on a given Notice Date shall be deemed exercised before any other Warrants in respect of which a Notice of Exercise was delivered on a later Notice Date. If any individual Warrantholder attempts to exercise more than 250,000 Warrants on any New York Business Day, then at the

34

29

Company's election (as notified to the Warrant Agent by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such New York Business Day) 250,000 of such Warrants shall be deemed exercised on such New York Business Day and the remainder shall be deemed exercised on the following New York Business Day (subject to successive applications of this Section 2.04). The date on which any Warrant is deemed exercised under the preceding sentences shall for all purposes of this Agreement be the "Exercise Date" in respect of such Warrants.

SECTION 2.05. Covenant of the Company. The Company covenants, for the benefit of the Warrantholders, that it will not seek the delisting of the Warrants from, or suspension of their trading on, the AMEX unless the Company has, at the same time, arranged for listing on another United States national securities exchange.

SECTION 2.06. Return of Money Held Unclaimed for Two Years. Except as otherwise provided herein, any money deposited with or paid to the Warrant Agent for the payment of the Cash Settlement Value or Alternative Settlement Amount of any Warrants and not applied but remaining unclaimed for two years after the date upon which such Cash Settlement Value or Alternative Settlement Amount shall have become due and payable shall be repaid by the Warrant Agent to the Company and the holders of such Warrants shall thereafter look only to the Company for any payment which such holders may be entitled to collect and all liability of the Warrant Agent with respect to such money shall thereupon cease; provided that the Warrant

Agent, before making any such repayment, may at the expense of the Company notify (i) in the case of Certificated Warrants, the Registered Holders or (ii) in the case of Book-Entry Warrants, the Participants concerned, that said money has not been so applied and remains unclaimed and that after a date named in the notification any unclaimed balance of said money then remaining will be returned to the Company.

SECTION 2.07. Return of Global Warrant Certificate. In the event a Global Warrant Certificate is issued, at such time as all of the Warrants evidenced by such Certificate have been exercised (including pursuant to an automatic exercise) or otherwise canceled and all payments to the Participants made as provided herein, the Warrant Agent shall destroy the canceled Global Warrant Certificate (unless instructed by the Company to deliver the Global Warrant Certificate to the Company) and shall provide a certificate of destruction to the Company.

35

30

#### ARTICLE III

##### OTHER PROVISIONS RELATING TO RIGHTS OF WARRANTHOLDERS

SECTION 3.01. Warrantholder of Warrant May Enforce Rights. Notwithstanding any of the provisions of this Agreement, any Warrantholder, without the consent of the Warrant Agent, may, in and for its own behalf, enforce, and may institute and maintain, any suit, action or proceeding against the Company suitable to enforce, or otherwise in respect of, its right to exercise, and to receive payment for, its Warrants as provided in this Agreement.

#### ARTICLE IV

##### WARRANTS ACQUIRED BY THE COMPANY; PAYMENT OF TAXES

SECTION 4.01. Warrants Acquired by the Company. In the event the Company shall purchase or otherwise acquire Warrants, such Warrants may, at the option of the Company, be (i) in the case of Certificated Warrants, delivered to the Warrant Agent, and if so delivered, the Warrant Agent shall promptly note the cancellation of such Warrants on the records of the Warrant Agent or (ii) in the



case of Book-Entry Warrants, surrendered free through a Participant to the Depository for credit to the account of the Warrant Agent maintained at the Depository, and if so credited, the Warrant Agent shall promptly note the cancellation of such Warrants by notation on the records of the Warrant Agent. In the case of Book-Entry Warrants, such Warrants may also, at the option of the Company, be resold by the Company directly or to or through any of its affiliates in lieu of being surrendered to the Depository. No Warrant Certificate shall be countersigned in lieu of or in exchange for any Warrant which is canceled as provided herein, except as otherwise expressly permitted by this Agreement which tax or other governmental charge shall be paid by the appropriate Warrantholder or Registered Holder.

Any canceled Warrant Certificate held by the Warrant Agent under this Agreement shall be destroyed by the Warrant Agent unless otherwise directed by the Company, and the Warrant Agent shall deliver a certificate of destruction to the Company evidencing the same.

SECTION 4.02. Payment of Taxes. The Company will pay all stamp, withholding and other duties, if any, attributable to the initial issuance of Warrants; provided,

36

31

however, that, anything in this Agreement to the contrary notwithstanding, the Company shall not be required to pay any tax or other governmental charge which may be payable in respect of any transfer involving any beneficial or record interest in, or ownership interest of, any Warrants, Warrant Certificates or Global Warrant Certificate which tax or other governmental charge shall be paid by the appropriate Warrantholder or Registered Holder.

## ARTICLE V

### CONCERNING THE WARRANT AGENT

SECTION 5.01. Warrant Agent. (a) The Company hereby appoints Citibank, N.A. ("Citibank") as Warrant Agent of the Company in respect of the Warrants upon the terms and subject to the conditions set forth herein; and Citibank hereby accepts such appointment. The Warrant Agent shall have the powers and authority granted to and conferred upon it in this Agreement and such further powers and authority to act on

behalf of the Company as the Company may hereafter grant to or confer upon it. All of the terms and provisions with respect to such powers and authority contained in any Warrant Certificates or the Global Warrant Certificate are subject to and governed by the terms and provisions hereof.

(b) Citibank covenants and agrees to maintain an office, staffed by qualified personnel, with adequate facilities for the discharge of its responsibilities under this Agreement, including, without limitation, the computation of the Cash Settlement Value and the timely settlement of the Warrants upon exercise thereof.

SECTION 5.02. Conditions of Warrant Agent's Obligations. The Warrant Agent accepts its obligations herein set forth upon the terms and conditions hereof, including the following, to all of which the Company agrees and to all of which the rights hereunder of the holders from time to time of the Warrants shall be subject:

(a) The Company agrees promptly to pay the Warrant Agent the compensation to be agreed upon with the Company for all services rendered by the Warrant Agent and to reimburse the Warrant Agent for its reasonable out-of-pocket expenses (including attorneys' fees and expenses) incurred by the Warrant Agent without negligence, bad faith or breach of this Agreement on its part in connection with the services rendered by it hereunder. The Company also agrees to indemnify the Warrant Agent for, and to hold it harmless against, any

37

32

loss, liability or expense (including reasonable attorneys' fees and expenses) incurred without negligence, bad faith or breach of this Agreement on the part of the Warrant Agent, arising out of or in connection with its acting as such Warrant Agent hereunder, as well as the reasonable costs and expenses of defending against any claim of liability in the premises.

(b) In acting under this Agreement, the Warrant Agent is acting solely as agent of the Company and does not assume any obligation or relationship of agency or trust for or with any of the owners or holders of the Warrants.

(c) The Warrant Agent may consult with counsel satisfactory to it, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion of such counsel.

(d) The Warrant Agent shall be protected and shall incur no liability for or in respect of any action taken or thing suffered by it in reliance upon any notice, direction, consent, certificate, affidavit, statement or other paper or document reasonably believed by it to be genuine and to have been presented or signed by the proper parties.

(e) The Warrant Agent, and its officers, directors and employees, may become the owner of, or acquire any interest in, any Warrants or other obligations of the Company, with the same rights that it or they would have if it were not the Warrant Agent hereunder and, to the extent permitted by applicable law, it or they may engage or be interested in any financial or other transaction with the Company and may act on, or as depository, trustee or agent for, any committee or body of holders of Warrants or other obligations of the Company as freely as if it were not the Warrant Agent hereunder.

(f) The Warrant Agent shall not be under any liability for interest on any moneys at any time received by it pursuant to any of the provisions of this Agreement nor shall it be obligated to segregate such moneys from other moneys held by it, except as required by law. The Warrant Agent shall not be responsible for advancing funds on behalf of the Company.

38

33

(g) The Warrant Agent shall not be under any responsibility with respect to the validity or sufficiency of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Warrant Agent) or with respect to the validity or execution of the Warrant Certificates or the Global Warrant

Certificate (except its countersignature thereof).

(h) The recitals contained herein and in the Warrant Certificates or the Global Warrant Certificate (except as to the Warrant Agent's countersignature thereon) shall be taken as the statements of the Company, and the Warrant Agent assumes no responsibility for the correctness of the same.

(i) The Warrant Agent shall be obligated to perform such duties as are herein specifically set forth, and no implied duties or obligations shall be read into this Agreement against the Warrant Agent. The Warrant Agent shall not be under any obligation to take any action hereunder likely to involve it in any expense or liability, the payment of which is not, in its reasonable opinion, assured to it. The Warrant Agent shall not be accountable or under any duty or responsibility for the application by the Company of any proceeds. The Warrant Agent shall have no duty or responsibility in case of any default by the Company in the performance of its covenants or agreements contained in any Warrant Certificate or the Global Warrant Certificate or in the case of the receipt of any written demand from a holder of a Warrant with respect to such default, including, without limiting the generality of the foregoing, any duty or responsibility to initiate or attempt to initiate any proceedings at law or otherwise or, except as provided in Section 6.02 hereof, to make any demand upon the Company.

SECTION 5.03. Resignation and Appointment of Successor. (a) The Company agrees, for the benefit of the holders from time to time of the Warrants, that there shall at all times be a Warrant Agent hereunder until all the Warrants are no longer outstanding or until moneys for the payment of all outstanding Warrants, if any, shall have been paid to the Warrant Agent and shall have been returned to the Company as provided in Section 2.06, whichever occurs earlier.

(b) The Warrant Agent may at any time resign as such agent by giving written notice to the Company of such intention on its part, specifying the date on which its

desired resignation shall become effective, subject to the appointment of a successor Warrant Agent and acceptance of such appointment by such successor Warrant Agent as hereinafter provided. The Warrant Agent hereunder may be removed at any time by the filing with it of an instrument in writing signed by or on behalf of the Company and specifying such removal and the date when it shall become effective. Such resignation or removal shall take effect upon the appointment by the Company, as hereinafter provided, of a successor Warrant Agent (which shall be a banking institution organized under the laws of the United States of America or one of the states thereof and having an office south of Chambers Street in the Borough of Manhattan, The City of New York) and the acceptance of such appointment by such successor Warrant Agent. In the event a successor Warrant Agent has not been appointed and accepted its duties within 90 days of the Warrant Agent's notice of resignation, the Warrant Agent may apply to any court of competent jurisdiction for the designation of a successor Warrant Agent. The obligation of the Company under Section 5.02(a) shall continue to the extent set forth therein notwithstanding the resignation or removal of the Warrant Agent.

(c) In case at any time the Warrant Agent shall give notice of its intent to resign, or shall be removed, or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or make an assignment for the benefit of its creditors, or consent to the appointment of a receiver or custodian of all or any substantial part of its property, or shall admit in writing its inability to pay or meet its debts as they mature, or if a receiver or custodian of it or of all or any substantial part of its property shall be appointed, or if any public officer shall have taken charge or control of the Warrant Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, a successor Warrant Agent, qualified as aforesaid, shall be promptly appointed by the Company by an instrument in writing, filed with the successor Warrant Agent. Upon the appointment as aforesaid of a successor Warrant Agent and acceptance by the latter of such appointment, the Warrant Agent so superseded shall cease to be Warrant Agent hereunder.

(d) Any successor Warrant Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Company an instrument accepting such appointment hereunder, and thereupon such successor Warrant Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trust, immunities, duties and obligations of such predecessor with like effect as if originally named as Warrant Agent hereun-

der, and such predecessor, upon payment of its charges and disbursements then unpaid, shall thereupon become obligated to transfer, deliver and pay over, and such successor Warrant Agent shall be entitled to receive, all moneys, securities and other property on deposit with or held by such predecessor (including, without limitation, the Warrant Register), as Warrant Agent hereunder.

(e) Any corporation into which the Warrant Agent hereunder may be merged or converted or any corporation with which the Warrant Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Warrant Agent shall be a party, or any corporation to which the Warrant Agent shall sell or otherwise transfer all or substantially all the assets and business of the Warrant Agent, provided that it shall be qualified as aforesaid, shall be the successor Warrant Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto.

## ARTICLE VI

### MISCELLANEOUS

SECTION 6.01. Amendment. (a) This Agreement and the terms of the Warrants may be amended by the Company, the Warrant Agent and the Determination Agent, without the consent of the Warrantholders, for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained herein or therein or in any other manner which the Company may deem necessary or desirable and which will not adversely affect the interests of the holders of the Warrants. Notwithstanding anything in this Section 6.01 to the contrary, this Agreement may not be amended to provide for the countersigning by the Warrant Agent of Warrant Certificates evidencing in the aggregate in excess of 2,000,000 Warrants unless and until the Warrant Agent has received notice from the AMEX or any successor United States national securities exchange that the additional Warrants in excess of 2,000,000 have been approved for listing on such exchange.

(b) The Company, the Warrant Agent and the Determination Agent may modify or amend this Agreement, with the consent of Warrantholders holding not less than a majority

in number of the then outstanding Warrants affected by such modification or amendment, for any purpose; provided, however, that no such modification or amendment that decreases the Strike Index, shortens the period of time during which the Warrants may be exercised, or otherwise

41

36

materially and adversely affects the exercise rights of the Warrantheolders or reduces the percentage of the number of outstanding Warrants, the consent of whose holders is required for modification or amendment of this Agreement, may be made without the consent of each Warrantheolder affected thereby.

SECTION 6.02. Notices and Demands to the Company, the Warrant Agent and the Determination Agent. If the Warrant Agent or the Determination Agent shall receive any notice or demand addressed to the Company by any Warrantheolder pursuant to the provisions of this Agreement, the Warrant Agent or the Determination Agent, as the case may be, shall promptly forward such notice or demand to the Company.

SECTION 6.03. Addresses for Notices. Any communications to the Warrant Agent with respect to this Agreement shall be addressed to Citibank, N.A., 120 Wall Street, New York, New York 10043, Attention: Corporate Trust Department (telephone: (212) 412-6209; facsimile: (212) 480-1613), and any communications to the Company with respect to this Agreement shall be addressed to Paine Webber Group Inc., 1285 Avenue of the Americas, New York, New York 10019, Attention: Secretary (telephone: (212) 713-6277; facsimile: (212) 713-6119), and any communications to the Determination Agent with respect to this Agreement shall be addressed to PaineWebber Incorporated, 1285 Avenue of the Americas, New York, New York 10019, Attention: John Braddock (telephone (212) 713-3508; facsimile: (212) 582-1650) (or such other address as shall be specified in writing by the Warrant Agent, the Company or the Determination Agent, respectively).

SECTION 6.04. Notices to Holders. The Company may cause to have notice given to the holders of Warrants by providing the Warrant Agent with a form of notice to be distributed by (i) in the case of Certificated Warrants, the Warrant Agent to the Warrantheolders or (ii) in the case of Book-Entry Warrants, the Depository with a form of such notice to be distributed by the Depository to Participants in accordance with the custom and practices of the Depository.

SECTION 6.05. Obtaining of Approvals. The Company will from time to time take all action which may be necessary to obtain and keep effective (a) any and all permits, consents and approvals of governmental agencies and authorities and the AMEX or any successor national securities exchange and (b) any and all filings or notices under United States Federal and state securities laws, which

42

37

may be or become required in connection with the issuance, sale, trading, transfer or delivery of the Warrant Certificates, the Global Warrant Certificate or the exercise of the Warrants.

SECTION 6.06. Persons Having Rights Under This Agreement. Nothing in this Agreement expressed or implied and nothing that may be inferred from any of the provisions hereof is intended, or shall be construed, to confer upon, or give to, any person or corporation other than the Company, the Warrant Agent, the registered holder of the Global Warrant Certificate and the Warranholders any right, remedy or claim under or by reason of this Agreement or of any covenant, condition, stipulation, promise or agreement hereof; and all covenants, conditions, stipulations, promises and agreements contained in this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent, and their respective successors, the registered holder of the Global Warrant Certificate and of the Warranholders.

SECTION 6.07. Inspection of Agreement. A copy of this Agreement shall be available at all reasonable times at the Warrant Agent's Office for inspection by the Warrant-holders, Participants or any person certified by any Participant to be an indirect participant of the Depository or any person certified by any Participant to be a Warranholder, in each case, on behalf of whom such Participant holds Warrants.

SECTION 6.08. Headings. The descriptive headings of the several Articles and Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 6.09. Counterparts. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original; but such counterparts shall together constitute but one and the same



instrument.

SECTION 6.10. APPLICABLE LAW. THIS AGREEMENT AND EACH WARRANT SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

43

38

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

PAINE WEBBER GROUP INC.

By \_\_\_\_\_

Name:

Title:

CITIBANK, N.A.

By \_\_\_\_\_

Name:

Title:

PAINEWEBBER INCORPORATED

By \_\_\_\_\_

Name:

Title:

44

1

EXHIBIT A

[FORM OF WARRANT CERTIFICATE]

[FACE]

No. P-

CUSIP No. \_\_\_\_\_

PAINE WEBBER GROUP INC.

AMEX Hong Kong 30 Index Put Warrants  
Expiring January 17, 1996

This Warrant Certificate certifies that \_\_\_\_\_, or registered assigns, is the registered holder of \_\_\_\_\_ AMEX Hong Kong 30 Index Put Warrants Expiring January 17, 1996 (the "Warrants"). Upon receipt by the Warrant Agent of this Warrant Certificate and the notice of exercise on the reverse hereof (or a notice of exercise in substantially identical form delivered herewith), duly completed and executed, at the offices of the Warrant Agent in the Borough of Manhattan, The City of New York, each Warrant entitles the beneficial owner thereof (each a "Warrantholder") to receive, subject to the conditions set forth herein and in the Warrant Agreement, from Paine Webber Group Inc. (the "Company") the cash settlement value in U.S. dollars (the "Cash Settlement Value") equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which \_\_\_\_\_ (the "Strike Index") exceeds the closing level of the AMEX Hong Kong 30 Index (the "Index"), as compiled and published by the American Stock Exchange ("AMEX"), on the applicable Valuation Date for such Warrant (the "Spot Index"), divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$ \_\_\_\_\_ per U.S. \$1.00; provided, however, that if such amount is less than or equal to zero, then the Cash Settlement Value shall be zero. In no event shall a Warrantholder be entitled to any interest on any Cash Settlement Value.

Subject to the terms of the Warrant Agreement, each Warrant may be irrevocably exercised, in whole but not in part, at or prior to 3:00 p.m., New York City time, on any New York Business Day from its date of issuance until 3:00 p.m., New York City time, on the earlier of (i) the New York Business Day immediately preceding January 17, 1996 (the "Expiration Date") and (ii) the Delisting Date (as defined herein), at which time the Warrants shall expire and

all Warrants evidenced hereby shall be automatically exercised and otherwise shall be void. Except in the case of automatic exercise or cancellation of the Warrants, as set forth herein and in the Warrant Agreement, not fewer than 500 Warrants may be exercised by or on behalf of any one Warrantholder at any one time.

Reference is hereby made to the further provisions of this Warrant Certificate set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Warrant Certificate shall not be valid unless countersigned by the Warrant Agent.

IN WITNESS WHEREOF, Paine Webber Group Inc. has caused this instrument to be duly executed.

Dated: January \_\_, 1994

PAINE WEBBER GROUP INC.

By \_\_\_\_\_  
Donald B. Marron  
Chairman and Chief  
Executive Officer

[SEAL]

Attest:

By \_\_\_\_\_  
Theodore A. Levine  
Secretary

Countersigned as of the  
date above written:

CITIBANK, N.A.,  
as Warrant Agent

By \_\_\_\_\_  
Authorized Officer

A-3

[FORM OF WARRANT CERTIFICATE]

[REVERSE]

PAINE WEBBER GROUP INC.

The Warrants evidenced by this Warrant Certificate are part of a duly authorized issue of Warrants issued by the Company pursuant to a Warrant Agreement, dated as of January \_\_, 1994 (the "Warrant Agreement"), among the Company, Citibank, N.A. (the "Warrant Agent") and PaineWebber Incorporated (the "Determination Agent") and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions each Warrantholder consents by acceptance of this Warrant Certificate and which Warrant Agreement is hereby incorporated by reference in and made a part of this Warrant Certificate. A copy of the Warrant Agreement is on file at the Warrant Agent's Office (as defined herein).

The Warrants constitute direct, unconditional and unsecured obligations of the Company and rank on a parity with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt.

Subject to the provisions hereof and of the Warrant Agreement, each Warrant may be irrevocably exercised, in whole but not in part, at or prior to 3:00 p.m., New York City time, on any New York Business Day (as defined herein) from its date of issuance until 3:00 p.m., New York City time, on the earlier of (i) the New York Business Day immediately preceding the Expiration Date and (ii) the Delisting Date (as defined herein). The holder of Warrants evidenced by this Warrant Certificate may exercise them by surrendering this Warrant Certificate and attached notice of exercise (or a notice of exercise in substantially identical form), duly completed and executed, to the Warrant Agent's offices in the Borough of Manhattan, The City of New York (the "Warrant Agent's Office"), which are, on the date hereof, located at [111 Wall Street, New York, New York 10043, Attention: Corporate Trust Department]. Not fewer than 500 Warrants may be exercised by or on behalf of any one Warrantholder at any one time.

The "Cash Settlement Value" of an exercised Warrant shall be an amount in U.S. Dollars equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which \_\_\_\_\_ (the "Strike Index") exceeds the

closing level of the Index, as compiled and published by the AMEX, on the applicable Valuation Date (as defined herein) for such Warrant (the "Spot Index"), divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar

47

A-4

exchange rate of H.K.\$ \_\_\_\_\_ per U.S. \$1.00; provided, however, that if such amount is less than or equal to zero, then the Cash Settlement Value shall be zero.

The Company has appointed PaineWebber Incorporated to be its Determination Agent to make such calculations as may be required upon the occurrence of certain circumstances, as described in the Warrant Agreement and herein, including, without limitation, calculation of the Cash Settlement Value under certain circumstances or the Alternative Settlement Amount (as defined herein), as applicable, of a Warrant. The Determination Agent shall act as an independent expert and not as an agent of the Company, and, unless otherwise provided by the Warrant Agreement, its calculations and determinations under the Warrant Agreement and this Warrant Certificate shall, absent manifest error, be final and binding on the Company, the Warrant Agent and the Warrantholders.

In the event that the Index is not publicly announced by the AMEX on a Valuation Date, but is publicly announced by another person or party not affiliated with the Company and acceptable to the Company (the "Third Party"), the applicable Cash Settlement Value shall nevertheless be calculated by reference to the value of the closing quotation for the Index so announced by the Third Party.

In the event that prior to a Valuation Date the AMEX or the Third Party makes a material change in the formula for or the method of calculating the Index, the Determination Agent shall make such calculations as may be required to determine the applicable Cash Settlement Value using the formula and method of calculating the Index as was in effect prior to such change or modification.

If on a Valuation Date either the AMEX or any Third Party discontinues publication of the Index and publishes a successor or substitute index that the Company determines, in its sole discretion, to be comparable to the Index (any such index being a "Successor Index"), then the Determination Agent shall determine the Spot Index for any

date thereafter based on the closing level of the Successor Index on such date. If the AMEX and/or any Third Party discontinues publication of the Index and/or any Successor Index, the Company will cause the Determination Agent to determine the applicable Cash Settlement Value based on the formula and method used in calculating the Index or any Successor Index as in effect on the date the Index or such Successor Index was last published.

48

A-5

The Determination Agent will have no responsibility for good faith errors or omissions in calculating or disseminating information regarding the Index, any Successor Index, adjustments or calculations by the Determination Agent in order to arrive at a calculation of a stock index comparable to the Index or any Successor Index, or the Cash Settlement Value or the Alternative Settlement Amount, as applicable.

Subject to the Warrant Agreement and this Warrant Certificate, and except in the case of exercise (whether automatic or by notice of exercise) on the Expiration Date or the Delisting Date, or in the event an Extraordinary Event or Exercise Limitation Event (as such terms are defined herein) is declared, or in the case of a postponement due to there being exercised a number of Warrants in excess of the maximum permitted number on a given day, the valuation date (the "Valuation Date") for a Warrant shall be the first Index Calculation Date (as defined herein) following the applicable Exercise Date (as defined in the Warrant Agreement) on which the Warrant Agent has received (i) in the case of Warrants other than those held through the facilities of Centrale de Livraison de Valeurs Mobilieres S.A. ("CEDEL") or the Euroclear System ("Euroclear"), the Warrant Certificate representing such Warrant, with the notice of exercise below (or a notice of exercise in substantially identical form delivered herewith), duly completed and executed, at or prior to 3:00 p.m., New York City time (the "Notice Date"); and if the Warrant Agent shall receive any such Warrant Certificate after 3:00 p.m., New York City time, on such date, then such Warrant Certificate shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index Calculation Date following the New York Business Day on which the Warrant Agent is deemed to have received such Warrant Certificate together with the notice of

exercise or (ii) in the case of Warrants held through the facilities of CEDEL or Euroclear, the notice of exercise (by facsimile transmission) at or prior to 3:00 p.m., New York City time; provided that the Warrant Certificate is received by the Warrant Agent by 3:00 p.m., New York City time, on the Index Calculation Date next succeeding the Exercise Date; and if the Warrant Agent shall receive such notice of exercise after 3:00 p.m., New York City time, on such date, then the notice of exercise shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index Calculation Date following the

49

A-6

New York Business Day on which the Warrant Agent is deemed to have received such notice of exercise; provided, however, that if the Warrant Agent receives the Warrant Certificate after 3:00 p.m., New York City time, on the Valuation Date, then the Exercise Date for such Warrant shall be the day on which such Warrant Certificate is received or, if such day is not a New York Business Day, the next succeeding New York Business Day, and the Valuation Date for such Warrant shall be the first Index Calculation Date following such Exercise Date; provided, further, however, in the case of exercises by Euroclear participants, Euroclear must be tested telex to the Warrant Agent by 9:00 a.m., New York City time, on the Valuation Date confirm that the Warrants will be received by the Warrant Agent on such Date, provided that if such telex communication is received after 9:00 a.m., New York City time, on the Valuation Date, the Company will be entitled to direct the Warrant Agent to reject the related Notice of Exercise or waive the requirement for timely delivery of such telex communication. Any Warrant Certificate received after 3:00 p.m., New York City time, on (i) the New York Business Day immediately preceding the Expiration Date or (ii) the last New York Business Day prior to the effective date on which the Warrants are delisted from, or permanently suspended from trading (within the meaning of the Securities Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission thereunder) on, the American Stock Exchange and not accepted at the same time for listing on another United States national securities exchange (such New York Business Day being the "Delisting Date") or, in the case of Warrants held through the facilities of CEDEL or Euroclear, after 3:00 p.m., New York City time, on the first Index Calculation Date following such Dates), shall be deemed not to

have been delivered and the related notice of exercise shall be void and of no effect; provided, however, that if the Company first receives notice of the delisting or suspension of the Warrants on the same day on which such Warrants are delisted or suspended, such day will be deemed the Delisting Date for purposes of the Warrant Agreement and this Warrant Certificate.

If the notice of exercise is not rejected as provided in the Warrant Agreement, then the Warrant Agent or the Determination Agent, as the case may be, will determine the Cash Settlement Value of the exercised Warrants in accordance with the terms of the Warrant Agreement. Except in the case of Warrants subject to automatic exercise and for Warrants that upon exercise entitle the holder thereof to receive an Alternative Settlement Amount in lieu of the Cash Settlement Value, if on any Valuation Date the Cash Settlement Value for any Warrants then exercised would be

50

A-7

zero, then in such case, the exercise of such Warrants shall be ignored and the Warrant Certificate evidencing such Warrants will be promptly returned by the Warrant Agent to the registered holder of the Warrant by first class mail at the Company's expense and such holder shall be permitted to re-exercise such Warrants prior to the Expiration Date or the Delisting Date.

Except in the case of Warrants subject to automatic exercise and for Warrants that upon exercise entitle the holder thereof to receive an Alternative Settlement Amount in lieu of the Cash Settlement Value, payment shall be made available to the appropriate holders on the fifth New York Business Day following the Valuation Date for such Warrants (or, if the Valuation Date is not a New York Business Day, on the fifth New York Business Day following the New York Business Day next succeeding the Valuation Date) in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar bank account maintained by such holder in the United States (at the holder's election as specified in the notice of exercise), in an amount equal to the aggregate Cash Settlement Value of the exercised Warrants.

All Warrant Certificates for which the Warrant Agent has not received a notice of exercise in proper form by 3:00 p.m., New York City time, on (i) the New York Business



Day preceding the Expiration Date or (ii) the Delisting Date, as the case may be, or for which the Warrant Agent has received a notice of exercise in proper form but with respect to which timely delivery of the relevant Warrant Certificate has not been made, and which have not been canceled prior to such time, will be deemed automatically exercised on such Date without any requirement of a notice of exercise to the Warrant Agent. The Valuation Date for such Warrants shall be the first Index Calculation Date following the Expiration Date or the Delisting Date, as the case may be.

If the Company determines that an Extraordinary Event or an Exercise Limitation Event has occurred and is continuing on the Expiration Date or the Delisting Date, the Cash Settlement Value with respect to the exercised Warrants shall be equal to, and be calculated in the same manner as, an Alternative Settlement Amount (treating the Expiration Date or the Delisting Date, as the case may be, as the date on which the Warrants were canceled), as provided below and in the Warrant Agreement.

51

A-8

Payment with respect to automatically exercised Warrants shall be made available to the appropriate registered holders of the Warrants in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar bank account maintained by such holder in the United States (at such holder's election), on the fourth New York Business Day following the Valuation Date for automatically exercised Warrants (or if such Valuation Date is not a New York Business Day, on the fourth New York Business Day following the New York Business Day next succeeding such Valuation Date), against receipt by the Warrant Agent at the Warrant Agent's Office from the holder of its Warrant Certificates. Such payment shall be in the amount of the aggregate Cash Settlement Value in respect of the Warrants, evidenced by the Warrant Certificates, that were exercised (whether automatically or by notice of exercise) on the Expiration Date or the Delisting Date, as the case may be.

Anything in the Warrant Agreement or in this Warrant Certificate to the contrary notwithstanding, if the Company determines that an Extraordinary Event or an Exercise Limitation Event has occurred and is continuing on the Hong Kong Business Day (as defined herein) with respect to which the Spot Index on a Valuation Date is to be determined (the

"Applicable Hong Kong Business Day") then the Cash Settlement Value of such Warrants in respect of an exercise shall be calculated on the basis that the Valuation Date shall be the next Index Calculation Date following an Applicable Hong Kong Business Day on which there is no Extraordinary Event or Exercise Limitation Event; provided, however, that if the Cash Settlement Value of such Warrants is not calculated on or prior to the Expiration Date or the Delisting Date, then the Warrantholders will receive the Alternative Settlement Amount in lieu of the Cash Settlement Value which shall be calculated as if the Warrants had been canceled on the Expiration Date or the Delisting Date, as the case may be.

If the Company determines that an Extraordinary Event has occurred and is continuing and if it is expected by the Company to continue, the Company may immediately cancel the Warrants by notifying the Warrant Agent of such cancellation (the date such Warrants are canceled being the "Cancellation Date"), and each Warrantholder's rights with respect to the Warrants and under the Warrant Agreement shall thereupon cease; provided, however, that each Warrant shall be exercised (even if such Warrant would not otherwise be exercisable on such Date because of the Limit Option) on the basis that the Valuation Date for such Warrant shall be the Cancellation Date and each Warrantholder shall have the

52

A-9

right to receive an Alternative Settlement Amount with respect to its Warrants. The Company shall use its best efforts to notify the Warrantholders promptly of such cancellation.

With respect to all Warrant Certificates as to which the Valuation Date has been postponed or which have been canceled as described above, payment shall be made available to the appropriate registered holders of the Warrants in the form of a cashier's check or an official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar bank account maintained by such holder in the United States (at such holder's election), on the third New York Business Day following the date on which the Cash Settlement Value or Alternative Settlement Amount, as the case may be, has been calculated, against receipt by the Warrant Agent at the Warrant Agent's Office from such holder of its Warrant Certificates. Such payment shall be in the amount of the aggregate Cash Settlement Value or Alternative Settlement Amount, as the case may be, in respect of the Warrants evidenced by such Warrant Certificates.

The "Alternative Settlement Amount" shall be an amount, calculated by the Determination Agent, which shall be determined by the Determination Agent, which is the greater of (i) the average of the last sale prices, as available, of the Warrants on the AMEX (or any successor securities exchange on which the Warrants are listed) on the 30 trading days preceding the date on which such Extraordinary Event was declared, provided that, if the Warrants were not traded on the AMEX (or such successor securities exchange) on at least 20 of such trading days, no effect will be given to this clause (i) for the purpose of determining the Alternative Settlement Amount, and (ii) the amount "X" calculated using the formula set forth below:

$$X = I + \frac{T - A}{2} \times B$$

where

I = the Cash Settlement Value of the Warrants determined as described above but, subject to the following modifications:

(1) if the Calculation Date for such Warrants is a date on which the Index or a Successor Index is calculated and published, for

53

A-10

the purpose of determining such Cash Settlement Value, the Spot Index will be determined as of such Cancellation Date except that, if the Spot Index as of such day is less than 90% of the Spot Index as of the immediately preceding Index Calculation Day, then the Spot Index will be deemed to be 90% of the Spot Index on such preceding Index Calculation Day; or

(2) if the Calculation Date for such Warrants is a date on which the Index or a Successor Index is not calculated or published, for the purpose of determining such Cash Settlement Value, the Spot Index will be deemed to be the lesser of (i) the Spot Index as of the first Index Calculation Day immediately

preceding the Cancellation Date except that, if the Spot Index as of such day is less than 90% of the Spot Index as of the second Index Calculation Day immediately preceding such Cancellation Date, 90% of the Spot Index as of such second Index Calculation Day and (ii) the arithmetic average of four amounts, being (a) the Spot Index at each of the three successive Index Calculation Days immediately preceding the Cancellation Date and (b) the Spot Index at the next Index Calculation Day; provided, that if an Extraordinary Event described in clause (i) of the definition of Extraordinary Event continues for 30 consecutive days immediately following such Cancellation Date, then the Determination Agent shall calculate an amount which, in its reasonable opinion, fairly reflects the value of the stocks which comprise the Index or any Successor Index on the Index Calculation Day immediately following such Cancellation Date which, subject to approval by the Company (such approval not to be unreasonably withheld), shall for purposes of calculating the amount under this clause (2)(ii) be treated as the figure arrived at under clause (2)(ii)(b);

T = U.S. \$\_\_\_\_\_, the initial offering price per Warrant;

A = the total number of days from but excluding the Cancellation Date for such Warrants to and including the Expiration Date; and

B = the total number of days from but excluding the date the Warrants were initially sold to and including the Expiration Date.

For purposes of determining "I" in the above formula, in the event that the Determination Agent and the Company are required, but have not, after good faith consultation with each other and within five days following the first day upon which such Alternative Settlement Amount may be

calculated in accordance with the above formula, agreed upon a figure under clause 2(ii)(b) above which fairly reflects the value of the stocks which comprise the Index on the Cancellation Date, then the Determination Agent shall promptly nominate a third party, subject to approval by the Company (such approval not to be unreasonably withheld), to determine such figure and calculate the Alternative Settlement Amount in accordance with the above formula. Such party shall act as an independent expert and not as an agent of the Company or the Determination Agent, and its calculation and determination of the Alternative Settlement Amount shall, absent manifest error, be final and binding on the Company, the Warrant Agent, the Determination Agent and the Warrantholders. Any such calculations will be made available to a Warrantholder for inspection at the Warrant Agent's Office. Neither the Company nor such third party shall have any responsibility for good faith errors or omissions in calculating the Alternative Settlement Amount.

An "Extraordinary Event" shall mean any one of the events, circumstances or causes listed below:

(i) a suspension or absence of trading on the Hong Kong Stock Exchange Ltd. (the "HKSE") of all of the stocks which then comprise the Index or a successor or substitute index that the Company determines, in its sole discretion, to be comparable to the Index (a "Successor Index"); or

(ii) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or any other U.S. or non-U.S. governmental authority which would render it unlawful for the Company to perform any of its obligations under the Warrant Agreement or the Warrants; or

(iii) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities which in the opinion of the Company may materially and adversely affect the economy of Hong Kong or the trading of securities generally on the HKSE) which has or will have a material adverse effect on the ability of the Company to perform its obligations under the Warrants or to modify the hedge of its position with respect to the Index.

An "Exercise Limitation Event" shall mean any one of the events, circumstances or causes listed below:

(i) a suspension or absence of trading on the HKSE of (a) 20% or more of the stocks which then comprise the Index or a Successor Index and/or (b) the stocks of any three of the four most highly capitalized companies included in the stocks which then comprise the Index or a Successor Index; or

(ii) the suspension or material limitation on the Hong Kong Futures Exchange Ltd. (the "HK Futures Exchange") or any other major futures or securities market of trading in futures or options contracts related to the Hang Seng Index, the Index or a Successor Index.

All exercises of Warrants (other than on the Expiration Date or the Delisting Date or upon cancellation of the Warrants as described above) shall be subject, at the Company's option, to the limitation that not more than 1,000,000 Warrants in total may be exercised on any Exercise Date and not more than 250,000 Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any other person or entity, on any Exercise Date. If any New York Business Day would otherwise, under the terms hereof, be the Exercise Date in respect of more than 1,000,000 Warrants, then upon the Company's exercising such option (by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such Exercise Date), 1,000,000 of such Warrants shall be deemed exercised on such Exercise Date (selected by the Warrant Agent on a pro rata basis, but if, as a result of such pro rata selection, any registered holders of the Warrants would be deemed to have exercised less than 500 Warrants, then the Warrant Agent shall first select additional of such holders' Warrants so that no holder shall be deemed to have exercised less than 500 Warrants), and the remainder of such Warrants (the "Remaining Warrants") shall be deemed exercised on the following New York Business Day (subject to successive applications of this paragraph); provided that any Remaining Warrant in respect of which a notice of exercise was delivered on a given Notice Date shall be deemed exercised before any other Warrants in respect of which a notice of exercise was delivered on a later Notice Date. If any individual Warrantholder attempts to exercise more than 250,000 Warrants on any New York Business Day, then at the

Company's election (as notified to the Warrant Agent by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such New York Business Day), 250,000 of such Warrants shall be deemed exercised on

56

A-13

such New York Business Day and the remainder shall be deemed exercised on the following New York Business Day (subject to successive applications of this paragraph). The date on which any Warrant is deemed exercised under the preceding sentences shall for all purposes of this Warrant Certificate be deemed to be the "Exercise Date" in respect of such Warrants.

Prior to due presentment for registration of transfer, the Company, the Warrant Agent, and any agent of the Company or the Warrant Agent, may deem and treat the registered owner hereof as the absolute owner of the Warrants evidenced hereby (notwithstanding any notation of ownership or other writing hereon) for any purpose whatsoever, and as the person entitled to exercise the rights represented by the Warrants evidenced hereby, and neither the Company nor the Warrant Agent, nor any agent of the Company or the Warrant Agent, shall be affected by any notice to the contrary.

The Warrant Agent shall, in accordance with the Warrant Agreement, from time to time register the transfer of this Warrant Certificate upon the records to be maintained by it for that purpose at the Warrant Agent's Office upon surrender hereof, duly endorsed, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent, duly executed by the registered holder(s) hereof or by their duly appointed legal representative or duly authorized attorney, such signature to be guaranteed by a bank or trust company with a correspondent office in The City of New York or by a member of a national securities exchange. Upon any such registration of transfer, a new Warrant Certificate shall be issued to the transferee(s).

As provided in the Warrant Agreement and subject to certain limitations, this Warrant Certificate may be exchanged for other Warrant Certificates, representing a like number of Warrants, upon surrender to the Warrant Agent of this Warrant Certificate at the Warrant Agent's Office.

No service charge shall be made for any registration of transfer or exchange of this Warrant Certificate, but the Company may require payment of a sum

sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of this Warrant Certificate, other than exchanges pursuant to the Warrant Agreement not involving any transfer.

57

A-14

Capitalized terms included herein but not defined herein have the meanings assigned thereto in the Warrant Agreement.

References herein to "U.S. dollars", "U.S. \$" or "\$" are to the lawful currency of the United States of America, and references to "Hong Kong dollars" or "H.K.\$" are to the lawful currency of Hong Kong. As used herein, a "New York Business Day" means any day other than a Saturday, Sunday or a day on which either the AMEX or the New York Stock Exchange is not open for securities trading or commercial banks in New York City are required or authorized by law or executive order to remain closed; a "Hong Kong Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banks in Hong Kong are not open for a full day of business; and an "Index Calculation Date" means any day on which the Index or any Successor Index is calculated and published.

The Warrant Agreement and the terms of the Warrants are subject to amendment, as provided in the Warrant Agreement.

THIS WARRANT CERTIFICATE SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

58

A-15

#### NOTICE OF EXERCISE

Citibank, N.A.  
Corporate Trust Department, 5th Floor  
111 Wall Street  
New York, New York 10043

1. This Notice DOES DOES NOT relate to



"Contingently Tendered Warrants" subject to a Limit Option, as provided for in the Warrant Agreement. If this Notice of Exercise relates to 500 or more Warrants and any of such Warrants are Contingently Tendered Warrants, of such Warrants are Contingently Tendered Warrants and are not. If the Spot Index used to determine the Cash Settlement Value of Contingently Tendered Warrants exceeds the Reference Index by 20 points or more, a Notice of Exercise with respect to such Contingently Tendered Warrants shall be void and of no effect (and shall be disregarded for all purposes of the Warrant Agreement).

2. Subject to paragraph 1, the undersigned (the "Owner") hereby irrevocably exercises Warrants (the "Exercised Warrants") and delivers to you herewith a Warrant Certificate or Certificates, registered in the Owner's name, representing a number of Warrants at least equal to the number of Exercised Warrants. Each beneficial owner of Warrants that is exercising Warrants pursuant to this Notice of Exercise is exercising no fewer than 500 Warrants.

3. The Owner hereby directs the Warrant Agent (a) to pay the Cash Settlement Value, if any, with respect to the Exercised Warrants:

By cashier's check or an official bank check;

or

By wire transfer to the following U.S. dollar bank account in the United States:

(Minimum payments of \$100,000 only)

Bank:

59

A-16

ABA Routing No.:

Account No.:

Reference:

;and (b) if the number of Exercised Warrants is less than the

number of Warrants represented by the enclosed Warrant Certificate, to deliver a Warrant Certificate representing the unexercised Warrants to .

Dated: , 19

\_\_\_\_\_  
(Owner)

by

\_\_\_\_\_  
Authorized Signature

Address:

Telephone: ( )

60

EXHIBIT A-1

[FORM OF GLOBAL WARRANT CERTIFICATE]

No. GP \_\_\_\_\_

CUSIP No. \_\_\_\_\_

PAINÉ WEBBER GROUP INC.  
Global Warrant Certificate Representing

AMEX Hong Kong 30 Index Put Warrants  
Expiring January 17, 1996

This certifies that CEDE & CO., or registered assigns, is the registered holder of AMEX Hong Kong 30 Index Put Warrants Expiring January 17, 1996 (the "Warrants"). Each Warrant entitles the beneficial owner thereof (each a "Warrantholder") to receive, subject to the conditions set forth herein and in the Warrant Agreement, from Paine Webber

Group Inc. (the "Company") the cash settlement value in U.S. dollars (the "Cash Settlement Value") equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which (the "Strike Index") exceeds the closing level of the AMEX Hong Kong 30 Index (the "Index"), as compiled and published by the American Stock Exchange (the "AMEX"), on the applicable Valuation Date for such Warrant (the "Spot Index"), divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$\_\_\_\_\_ per U.S. \$1.00; provided, however, that if such amount is less than or equal to zero, then the Cash Settlement Value shall be zero. In no event shall a Warrantholder be entitled to any interest on any Cash Settlement Value.

Subject to the terms of the Warrant Agreement, each Warrant may be irrevocably exercised, in whole but not in part, at or prior to 3:00 p.m., New York City time, on any New York Business Day (as defined herein) from its date of issuance until 3:00 p.m., New York City time, on the earlier of (i) the New York Business Day immediately preceding January 17, 1996 (the "Expiration Date") and (ii) the Delisting Date (as defined herein), at which time the Warrants shall expire and all Warrants evidenced hereby shall be automatically exercised and otherwise shall be void. The holder of Warrants evidenced by this Warrant Certificate may exercise them only upon the delivery of such Warrant free to the Warrant Account (as defined in the Warrant Agreement) and pursuant to an irrevocable Notice of Exercise to the Warrant Agent from a Participant (as defined in the Warrant Agreement) acting on behalf of such Warrant-

61

A-1-2

holder. Except in the case of automatic exercise or cancellation of the Warrants, as set forth herein and in the Warrant Agreement, not fewer than 500 Warrants may be exercised by or on behalf of any one Warrantholder at any one time.

This Global Warrant Certificate shall not be valid unless countersigned by the Warrant Agent.

The Warrants evidenced by this Global Warrant Certificate are part of a duly authorized issue of Warrants issued by the Company pursuant to a Warrant Agreement, dated as of January \_\_, 1994 (the "Warrant Agreement"), among the Company, Citibank, N.A. (the "Warrant Agent"), and PaineWebber Incorporated (the "Determination Agent"), and is subject to

the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions the Warrantholders, the entities through which such Warrantholders hold their beneficial interests in the Warrants and the registered holder of this Global Warrant Certificate consent by acceptance of this Warrant Certificate by the Depository and which Warrant Agreement is hereby incorporated by reference in and made a part of this Warrant Certificate. A copy of the Warrant Agreement is on file at the Warrant Agent's Office, which is located at 111 Wall Street, 5th Floor, New York, New York 10043.

The Warrants constitute direct, unconditional and unsecured obligations of the Company and rank on a parity with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt.

Subject to the Warrant Agreement and this Global Warrant Certificate, and except in the case of exercise (whether automatic or by notice of exercise), on the Expiration Date or the Delisting Date, or in the event an Extraordinary Event or Exercise Limitation Event (as such terms are defined in the Warrant Agreement) is declared, or in the case of a postponement due to there being exercised a number of Warrants in excess of the maximum permitted number on a given day, the valuation date (the "Valuation Date") for a Warrant shall be the Index Calculation Date (as defined herein) following the Exercise Date (as defined in the Warrant Agreement) on which the Warrant Agent has received (i) in the case of Warrants other than those held through the facilities of Centrale de Livraison de Valeurs Mobilieres S.A. ("CEDEL") or the Euroclear System ("Euroclear"), the Warrant, with the Notice of Exercise (as defined in the Warrant Agreement) (or a Notice of Exercise in substantially identical form delivered herewith), duly completed and executed, at or prior to 3:00 p.m., New York

City time (the "Notice Date"); and if the Warrant Agent shall receive any such Warrant after 3:00 p.m., New York City time, on such date, then such Warrant shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index Calculation Date following the New York Business Day on which the Warrant Agent is deemed to have received such Warrant together with the Notice of

Exercise or (ii) in the case of Warrants held through the facilities of CEDEL or Euroclear, the notice of exercise (by facsimile transmission) at or prior to 3:00 p.m., New York City time; provided that the Warrant is received by the Warrant Agent by 3:00 p.m., New York City time, on the Index Calculation Date next succeeding the Exercise Date; and if the Warrant Agent shall receive such notice of exercise after 3:00 p.m., New York City time, on such date, then the notice of exercise shall be deemed to have been received at or prior to 3:00 p.m., New York City time, on the next succeeding New York Business Day (which shall be considered the Notice Date), and in such event the Valuation Date shall be the next Index Calculation Date following the New York Business Day on which the Warrant Agent is deemed to have received such notice of exercise; provided, however, that if the Warrant Agent receives the Warrant after 3:00 p.m., New York City time, on the Valuation Date, then the Exercise Date for such Warrant shall be the day on which such Warrant is received or, if such day is not a New York Business Day, the next succeeding New York Business Day, and the Valuation Date for such Warrant shall be the first Index Calculation Date following such Exercise Date; provided, further, however, in the case of exercises by Euroclear participants, Euroclear must by tested telex to the Warrant Agent by 9:00 a.m., New York City time, on the Valuation Date confirm that the Warrants will be received by the Warrant Agent on such Date, provided that if such telex communication is received after 9:00 a.m., New York City time, on the Valuation Date, the Company will be entitled to direct the Warrant Agent to reject the related Notice of Exercise or waive the requirement for timely delivery of such telex communication. Any Warrant received after 3:00 p.m., New York City time, on (i) the New York Business Day immediately preceding the Expiration Date or (ii) the last New York Business Day prior to the effective date on which the Warrants are delisted from, or permanently suspended from trading (within the meaning of the Securities Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission thereunder) on, the American Stock Exchange and not accepted at the same time for listing on another United States national securities exchange (such New York Business Day

being the "Delisting Date") (or, in the case of Warrants held through the facilities of CEDEL or Euroclear, after 3:00 p.m., New York City time, on the first Index Calculation Date following such Dates), shall be deemed not to have been

delivered and the related Notice of Exercise shall be void and of no effect; provided, however, that if the Company first receives notice of the delisting or suspension of the Warrants on the same day on which such Warrants are delisted or suspended, such day will be deemed the Delisting Date for purposes of the Warrant Agreement and this Global Warrant Certificate.

All Warrants for which the Warrant Agent has not received a Notice of Exercise in proper form by 3:00 p.m., New York City time, on (i) the New York Business Day preceding the Expiration Date or (ii) the Delisting Date, as the case may be, or for which the Warrant Agent has received a notice of exercise in proper form but with respect to which timely delivery of the related Warrant has not been made, and which have not been canceled prior to such time, will be deemed automatically exercised on such Date without any requirement of a Notice of Exercise to the Warrant Agent. The Valuation Date for such Warrants shall be the first Index Calculation Date following the Expiration Date or the Delisting Date, as the case may be.

If the Company determines that an Extraordinary Event or an Exercise Limitation Event has occurred and is continuing on the Expiration Date or the Delisting Date, the Cash Settlement Value with respect to the exercised Warrants shall be equal to, and be calculated in the same manner as, an Alternative Settlement Amount (treating the Expiration Date or the Delisting Date, as the case may be, as the date on which the Warrants were canceled), as provided below and in the Warrant Agreement.

Anything in the Warrant Agreement or in this Global Warrant Certificate to the contrary notwithstanding, if the Company determines that an Extraordinary Event or an Exercise Limitation Event has occurred and is continuing on the Hong Kong Business Day (as defined herein) with respect to which the Spot Index on a Valuation Date is to be determined (the "Applicable Hong Kong Business Day"), then the Cash Settlement Value of such Warrants in respect of an exercise shall be calculated on the basis that the Valuation Date shall be the next Index Calculation Date following an Applicable Hong Kong Business Day on which there is no Extraordinary Event or Exercise Limitation Event; provided, however, that if the Cash Settlement Value of such Warrants is not calculated on or prior to the Expiration Date or the Delisting Date, then the Warrantholders will receive the

Alternative Settlement Amount in lieu of the Cash Settlement Value which shall be calculated as if the Warrants had been canceled on the Expiration Date or the Delisting Date, as the case may be.

If the Company determines that an Extraordinary Event has occurred and is continuing and if it is expected by the Company to continue, the Company may immediately cancel the Warrants by notifying the Warrant Agent of such cancellation (the date such Warrants are canceled being the "Cancellation Date"), and each Warrantholder's rights with respect to the Warrants and under the Warrant Agreement shall thereupon cease; provided, however, that each Warrant shall be exercised (even if such Warrant would not otherwise be exercisable on such Date because of the Limit Option) on the basis that the Valuation Date for such Warrant shall be the Cancellation Date and each Warrantholder shall have the right to receive an Alternative Settlement Amount with respect to its Warrants. The Company shall use its best efforts to notify the Warrantholders promptly of such cancellation.

All exercises of Warrants (other than on the Expiration Date or the Delisting Date or upon cancellation of the Warrants as described above) shall be subject, at the Company's option, to the limitation that not more than 1,000,000 Warrants in total may be exercised on any Exercise Date and not more than 250,000 Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any other person or entity, on any Exercise Date. If any New York Business Day would otherwise, under the terms hereof, be the Exercise Date in respect of more than 1,000,000 Warrants, then upon the Company's exercising such option (by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such Exercise Date), 1,000,000 of such Warrants shall be deemed exercised on such Exercise Date (selected by the Warrant Agent on a pro rata basis, but if, as a result of such pro rata selection, any Warrantholders would be deemed to have exercised less than 500 Warrants, then the Warrant Agent shall first select additional of such holders' Warrants so that no holder shall be deemed to have exercised less than 500 Warrants), and the remainder of such Warrants (the "Remaining Warrants") shall be deemed exercised on the following New York Business Day (subject to successive applications of this paragraph); provided that any Remaining Warrant in respect of which notice of exercise was delivered on a given Notice Date shall be deemed exercised before any other Warrants in respect of which a notice of exercise was delivered on a later Notice Date. If any individual

A-1-6

Warrants on any New York Business Day, then at the Company's election (as notified to the Warrant Agent by giving notice thereof to the Warrant Agent not later than 5:00 p.m., New York City time, on such New York Business Day) 250,000 of such Warrants shall be deemed exercised on such New York Business Day and the remainder shall be deemed exercised on the following New York Business Day (subject to successive applications of this paragraph). The date on which any Warrant is deemed exercised under the preceding sentences shall for all purposes of this Global Warrant Certificate be deemed to be the "Exercise Date" in respect of such Warrants.

Prior to due presentment for registration of transfer, the Company, the Warrant Agent, and any agent of the Company or the Warrant Agent, may deem and treat the registered owner hereof as the absolute owner of the Warrants evidenced hereby (notwithstanding any notation of ownership or other writing hereon) for any purpose whatsoever, and as the person entitled to exercise the rights represented by the Warrants evidenced hereby, and neither the Company nor the Warrant Agent, nor any agent of the Company or the Warrant Agent, shall be affected by any notice to the contrary.

The Warrant Agent shall, in accordance with the Warrant Agreement, from time to time register the transfer of this Global Warrant Certificate in its records (which may be maintained electronically) to be maintained by it for that purpose at the Warrant Agent's Office upon surrender hereof, duly endorsed, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent, duly executed by the registered holder hereof or by the duly appointed legal representative or duly authorized attorney thereof, such signature to be guaranteed by a bank or trust company with a correspondent office in The City of New York or by a member of a national securities exchange. Upon any such registration of transfer, a new Global Warrant Certificate shall be issued to the transferee(s).

Exercises of Warrants are subject to the Limit Option as provided in the Warrant Agreement.

Capitalized terms included herein but not defined herein have the meanings assigned thereto in the Warrant Agreement.



References herein to "U.S. dollars", "U.S.\$" or "\$" are to the lawful currency of the United States of America, and references to "Hong Kong dollars" or "H.K.\$"

66

A-1-7

are to the lawful currency of Hong Kong. As used herein, a "New York Business Day" means any day other than a Saturday, Sunday or a day on which either the AMEX or the New York Stock Exchange is not open for securities trading or commercial banks in New York City are required or authorized by law or executive order to remain closed; a "Hong Kong Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banks in Hong Kong are not open for a full day of business; and an "Index Calculation Date" means any day on which the AMEX Index or any Successor Index is calculated and published.

The Warrant Agreement and the terms of the Warrants are subject to amendment, as provided in the Warrant Agreement.

67

A-1-8

THIS GLOBAL WARRANT CERTIFICATE SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, Paine Webber Group Inc. has caused this instrument to be duly executed.

Dated:                   , 1994                   PAINE WEBBER GROUP INC.

By \_\_\_\_\_  
Name:  
Title:

[Corporate Seal]  
Attest:

By \_\_\_\_\_

Countersigned as of the  
date above written:

CITIBANK, N.A.,  
as Warrant Agent

By \_\_\_\_\_  
Authorized Officer

68

EXHIBIT A-2

NOTICE OF EXERCISE

[For Warrants Represented by the Global Warrant Certificate]

Citibank, N.A.  
c/o Citicorp Data Distribution Inc.  
404 Sette Drive  
Paramus, New Jersey 07652  
(Facsimile: (201) 262-7521)  
(Telephone: (201) 262-5444)

1. We refer to the Warrant Agreement dated as of January \_\_, 1994 (the "Warrant Agreement"), among Paine Webber Group Inc. (the "Company"), Citibank, N.A., as warrant agent (the "Warrant Agent"), and PaineWebber Incorporated, as determination agent (the "Determination Agent"). On behalf of certain beneficial owners, each of whom is exercising no fewer than 500 Warrants that are covered by this Notice of Exercise and whose Warrants have been, or will be, transferred to the Warrant Agent's DTC Participant Account--Citibank, N.A. Corporate Trust Warrant Agent Account, No. 2659 (the "Warrant Account"), we hereby irrevocably exercise Warrants (the "Tendered Warrants"). We hereby acknowledge that the Warrants being exercised and this Notice of Exercise must be received by you by 3:00 p.m., New York City time, on a New York Business Day in order for the Valuation Date for the Tendered Warrants to be the Index Calculation Date following

such New York Business Day and that, if the Warrants being exercised and this Notice of Exercise are received by you after 3:00 p.m., New York City time, on a New York Business Day (or, in the case of Warrants held through CEDEL or Euroclear, if the Warrants are not received by 3:00 p.m., New York City time, on the first Index Calculation Date following such New York Business Day), the Valuation Date of the Tendered Warrants shall be the next Index Calculation Date next succeeding such New York Business Day, in each case subject to certain provisions of the Warrant Agreement.

2. If you determine that this Notice of Exercise has not been duly completed or is not in proper form, this Notice of Exercise will be void and of no effect and will be deemed not to have been delivered.

69

A-2-2

3. We hereby direct you to make payment to us of amounts payable to our clients as a result of the exercise of the Warrants hereunder as follows:

By cashier's check or an official  
bank check;

or

By wire transfer to the following  
U.S. dollar bank account in the United  
States:

(Minimum payments of \$100,000 only)

Bank:

Account No.:

ABA Routing No.:

Reference:

4. The Exercised Warrants covered hereby [are]  
[are not] subject to the Limit Option.1/

5. Each client on whose behalf we are  
exercising Warrants pursuant to this Notice of Exercise has

certified to us that it is not exercising in excess of 250,000 Warrants on behalf of any single person or entity.

[For Participants] [6. We hereby certify that we are a Participant of The Depository Trust Company (the Depository") with the present right to use and receive its services.]

1/ Separate Notice of Exercise shall be submitted with respect to Warrants subject to the Limit Option and Warrants not subject to the Limit Option.

70

A-2-3

Capitalized terms used but not defined herein have the meanings assigned thereto in the Warrant Agreement.

Dated: \_\_\_\_\_, 19

[NAME OF DEPOSITORY  
PARTICIPANT]  
[Participant Number]  
[NAME OF EUROCLEAR  
PARTICIPANT]  
[Centrale de Livraison  
de Valeurs Mobilieres  
S.A.]

By \_\_\_\_\_

Address:

Telephone: ( )

71

EXHIBIT B

CONFIRMATION OF EXERCISE  
[For Warrants Represented by Warrant Certificates]

We hereby confirm receipt of your Notice of Exercise with respect to \_\_\_\_\_ Warrants (the "Exercised Warrants") and the related Warrant Certificates, which we have found to be duly completed and in proper form. The Valuation Date of the Exercised Warrants was the close of business on \_\_\_\_\_, 19\_\_.

We hereby confirm that the aggregate Cash Settlement Value of the Exercised Warrants is \$ \_\_\_\_\_ (\$ per Warrant), which will be made available to you [in the form of a cashiers check or an official bank check] [by wire transfer to the bank account designated in your Irrevocable Notice of Exercise], in New York Clearing House funds, for payment on the fifth New York Business Day following the Valuation Date for such Warrants (or, if such Valuation Date is not a New York Business Day, on the fifth New York Business Day following the New York Business Day next succeeding the Valuation Date for such Warrants).

Capitalized terms included herein but not defined have the meanings assigned thereto in the Warrant Agreement, dated as of January \_\_, 1994, among Paine Webber Group Inc., Citibank, N.A., and PaineWebber Incorporated.

Dated: \_\_\_\_\_, 19\_\_

CITIBANK, N.A., as Warrant Agent,

By \_\_\_\_\_  
Authorized Signature

72

B-2

NOTICE OF REJECTION

You are hereby notified that [the Notice of Exercise delivered by you was determined by us not to have been [duly completed] [in proper form]] [we did not receive from Euroclear a Euroclear Confirmation that proper delivery of the Warrants to which the Notice of Exercise delivered by you relates would be made on a timely basis], as set forth in the Warrant Agreement, dated as of January \_\_, 1994, among Paine Webber Group Inc., Citibank, N.A., and PaineWebber Incorporated. Accordingly, we have rejected your Notice of Exercise [as being unsatisfactory as to form].

Capitalized terms used but not defined herein have the meanings assigned thereto in the Warrant Agreement.

Dated: \_\_\_\_\_, 19

CITIBANK, N.A., as Warrant  
Agent,

By \_\_\_\_\_  
Authorized Signature

73

EXHIBIT B-1

CONFIRMATION OF EXERCISE  
[For Warrants Represented by the Global Warrant Certificate]

[Name of Depository Participant]  
[Name of Euroclear Participant]  
[Centrale de Livraison de Valeurs  
Mobilieres S.A.]  
[Address]

We hereby confirm receipt of your Notice of Exercise with respect to \_\_\_\_\_ Warrants (the "Exercised Warrants") which were transferred by you (or on your behalf) to our DTC Participant Account No. [ ]. Such Notice we have found to be duly completed and in proper form. The Valuation Date of the Exercised Warrants was the close of business on \_\_\_\_\_, 19\_\_.

[As set forth in your Notice of Exercise, none of the Warrants covered thereby is subject to the Limit Option. Accordingly, for purposes hereof, all such Warrants shall constitute Exercised Warrants, which number we hereby confirm to be \_\_\_\_\_.] [Your Notice of Exercise stated that the Warrants covered thereby are subject to the Limit Option. The applicable Reference Index for such Warrants is \_\_\_\_\_ and the Spot Index for the date that would otherwise be the Valuation Date for such Warrants is \_\_\_\_\_. Such Spot Index does not exceed such Reference Index by 20 or more points. Accordingly, for purposes hereof, all such Warrants shall constitute Exercised Warrants. We hereby confirm the number of such Exercised Warrants to be \_\_\_\_\_.]

We hereby confirm that the aggregate Cash Settlement Value of the Exercised Warrants is \$ \_\_\_\_\_ (\$ per Warrant), which will be made available to you [in the form of a cashiers check or an official bank check] [by wire transfer to the bank account designated in your Irrevocable Notice of Exercise], in New York Clearing House funds, for payment on the sixth New York Business Day following the Valuation Date for such Warrants (or, if such Valuation Date is not a New York Business Day, on the sixth New York Business Day following the New York Business Day next succeeding the Valuation Date for such Warrants).

Capitalized terms included herein but not defined have the meanings assigned thereto in the Warrant Agreement dated as of January \_\_, 1994, among Paine Webber Group Inc., Citibank, N.A., as Warrant Agent, and PaineWebber Incorporated, as Determination Agent.

Dated: \_\_\_\_\_, 19

CITIBANK, N.A., as Warrant  
Agent,

By \_\_\_\_\_  
Authorized Signature

75

B-1-3

NOTICE OF REJECTION

[Name of Depository Participant]  
[Name of Euroclear Participant]  
[Centrale de Livraison de Valeurs  
Mobilieres S.A.]  
[Address]

You are hereby notified that [the Notice of Exercise delivered by you was determined by us not to have been [duly completed] [in proper form]], [such Warrants were not transferred to our DTC Participant Account No. [ ] [we did not receive from Euroclear a Euroclear Confirmation that proper delivery of the Warrants to which the Notice of Exercise delivered by you relates would be made on a timely basis], as set forth in the Warrant Agreement, dated as of January \_\_, 1994, among Paine Webber Group Inc., Citibank, N.A., and PaineWebber Incorporated. Accordingly, we have rejected your Notice of Exercise as being unsatisfactory as to form.

Capitalized terms used but not defined herein have the meanings assigned thereto in the Warrant Agreement.

Dated: \_\_\_\_\_, 19

CITIBANK, N.A., as Warrant  
Agent,

By \_\_\_\_\_  
Authorized Signature



NOTICE OF REJECTION  
RELATING TO LIMIT OPTION

[For Warrants Represented  
by Warrant Certificates]

We refer to your Notice of Exercise dated \_\_\_\_\_, 19\_\_\_\_, with respect to \_\_\_\_\_ Warrants that were subject to the Limit Option. The applicable Reference Index for such Warrants is \_\_\_\_\_ and the Spot Index for the date that would otherwise be the Valuation Date for such Warrants is \_\_\_\_\_. Such Spot Index exceeds the Reference Index on the Exercise Date (or if such date was not an Index Calculation Date, on the Index Calculation Date prior to the Exercise Date for such Warrants) by 20 points or more. Accordingly, we have rejected such Notice of Exercise pursuant to the Limit Option.

Capitalized terms included herein but not defined have the meanings assigned thereto in the Warrant Agreement dated as of January \_\_, 1994, among Paine Webber Group Inc., Citibank, N.A., and PaineWebber Incorporated.

Dated: \_\_\_\_\_, 19\_\_\_\_

CITIBANK, N.A., as Warrant  
Agent,

By \_\_\_\_\_  
Authorized Signature

NOTICE OF REJECTION  
RELATING TO LIMIT OPTION

[For Warrants Represented  
by the Global Warrant Certificate]

[Name of Depository Participant]  
[Name of Euroclear Participant]  
[Centrale de Livraison de Valeurs  
Mobilieres S.A.]  
[Address]

We refer to your Notice of Exercise dated  
, 19 , with respect to Warrants  
that were subject to the Limit Option. The applicable  
Reference Index for such Warrants is and the Spot  
Index for the date that would otherwise be the Valuation Date  
for such Warrants is . Such Spot Index exceeds  
the Reference Index on the Exercise Date (or if such date was  
not an Index Calculation Date, on the Index Calculation Date  
prior to the Exercise Date for such Warrants) by 20 points or  
more. Accordingly, we have rejected such Notice of Exercise  
pursuant to the Limit Option.

Capitalized terms included herein but not  
defined have the meanings assigned thereto in the Warrant  
Agreement dated as of January , 1994 among Paine Webber  
Group Inc., Citibank, N.A., and PaineWebber Incorporated.

Dated: , 19

CITIBANK, N.A., as Warrant  
Agent,

By \_\_\_\_\_  
Authorized Signature

PROSPECTUS SUPPLEMENT  
(TO PROSPECTUS DATED OCTOBER 14, 1993)

2,000,000 WARRANTS

PAINÉ WEBBER GROUP INC.  
AMEX HONG KONG 30 INDEX\* CALL WARRANTS  
EXPIRING JANUARY 17, 1996  
-----

Each Warrant will entitle the holder thereof to receive from Paine Webber Group Inc. (the "Company"), upon exercise (including automatic exercise), an amount in U.S. dollars computed by reference to increases in the American Stock Exchange Hong Kong 30 Index (the "AMEX Hong Kong 30 Index"). Such amount (the "Cash Settlement Value") will equal the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the Spot AMEX Hong Kong 30 Index (as defined herein) exceeds the Strike AMEX Hong Kong 30 Index for the applicable Valuation Date (as defined herein) following exercise, divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$ per U.S.\$1.00. If the Strike AMEX Hong Kong 30 Index for such Valuation Date equals or exceeds the Spot AMEX Hong Kong 30 Index, the Cash Settlement Value will be zero; in which case, the Warrantholder will be permitted, subject to certain exceptions, to re-exercise such Warrant prior to the Expiration Date or the Delisting Date (as defined herein). The Strike AMEX Hong Kong 30 Index is , which was the closing level of the AMEX Hong Kong 30 Index on January , 1994. As of January , 1994, the Spot AMEX Hong Kong 30 Index is and the Cash Settlement Value of the Warrants is zero. The AMEX Hong Kong 30 Index was established on June 25, 1993, on which date it was set at a value of 350.00.

The Warrants are unsecured contractual obligations of the Company and will rank on a parity with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt.

THE WARRANTS INVOLVE A HIGH DEGREE OF RISK, INCLUDING THE RISK OF EXPIRING WORTHLESS IF THE LEVEL OF THE AMEX HONG KONG 30 INDEX DOES NOT INCREASE PRIOR TO THE EXPIRATION DATE. PURCHASERS SHOULD BE PREPARED TO SUSTAIN A TOTAL LOSS OF THE PURCHASE PRICE OF THEIR WARRANTS AND ARE ADVISED TO CONSIDER CAREFULLY THE INFORMATION UNDER "CERTAIN IMPORTANT INFORMATION CONCERNING THE WARRANTS" HEREIN AND "RISK FACTORS" IN THE PROSPECTUS, AS WELL AS THE OTHER INFORMATION HEREIN AND IN THE PROSPECTUS.

Application has been made to list the Warrants on the American Stock Exchange (the "AMEX"). The AMEX symbol for the Warrants is HCW.WS.

-----  
THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>  
<CAPTION>

-----  
-----  
-----  
Price to                      Underwriting Discounts                      Proceeds to  
Public                      and Commissions(1)                      Company(2)  
-----

<S>	<C>	<C>	<C>
Per Warrant.....	\$	\$	\$
-----			
Total.....	\$	\$	\$
-----			
-----			

- </TABLE>
- (1) See "Underwriting" herein.
  - (2) Before deducting expenses estimated at \$ \_\_\_\_\_, which are payable by the Company.

-----

The Warrants are offered by the Underwriters, subject to prior sale, when, as and if delivered to and accepted by the Underwriters, and subject to their right to reject any order in whole or in part. It is expected that delivery of the Warrants will be made in New York City on or about January \_\_\_\_\_, 1994.

-----

PAINWEBBER INCORPORATED

OPPENHEIMER & CO., INC.

KEMPER SECURITIES, INC.

-----

\* The use of and reference to the term "AMEX Hong Kong 30 Index" herein has been consented to by the American Stock Exchange, Inc. The "AMEX Hong Kong 30 Index" is a service mark of the American Stock Exchange, Inc.

THE DATE OF THIS PROSPECTUS SUPPLEMENT IS JANUARY \_\_\_\_\_, 1994.

2

The valuation of and payment for any exercised Warrant (including in the case of automatic exercise) may be postponed as a result of an Exercise Limitation Event or an Extraordinary Event or as a result of the exercise of a number of Warrants exceeding the limits on exercise described herein under "Description of the Warrants -- Maximum Exercise Amount", in which case the Warrantholder will receive a Cash Settlement Value or, under certain circumstances, the Alternative Settlement Amount (as defined herein) for such Warrant, in either case determined as of a later date. See "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" and "-- Maximum Exercise Amount" herein.

The Warrants will be exercisable immediately upon issuance and may be exercised until 3:00 P.M., New York City time, on the New York Business Day (as defined herein) immediately preceding the Expiration Date for the Warrants, which is January 17, 1996, or until their earlier expiration on the last New York Business Day prior to the effective date of their delisting from, or permanent suspension from trading on, the AMEX and failure to list on another United States national securities exchange (the "Delisting Date"). Any Warrant not exercised at or before 3:00 P.M., New York City time, on such New York Business Day will be automatically exercised on such date. A Warrantholder may exercise no fewer than 500 Warrants at any one time, except in the case of automatic exercise. A Warrantholder tendering Warrants for exercise will have the option of specifying that, unless an Alternative Settlement Amount is payable in respect of such Warrants, such Warrants are not to be exercised if the Spot AMEX Hong Kong 30 Index as of the applicable Valuation Date is 20 or more points lower than the most recent closing level of the AMEX Hong Kong 30 Index prior to exercise. All exercises of Warrants (other than on the Expiration Date, the Delisting Date or upon the occurrence of certain extraordinary circumstances) are subject, at the Company's option, to the limitation that not more than 1,000,000 Warrants in total may be exercised on any Exercise Date (as defined herein) and not more than 250,000 Warrants may be exercised by or on

behalf of any person or entity, either individually or in concert with any other person or entity, on any Exercise Date. See "Certain Important Information Concerning the Warrants" and "Description of the Warrants" herein and "Description of Warrants" in the Prospectus.

-----  
IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE WARRANTS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE AMERICAN STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

-----  
FOR NORTH CAROLINA INVESTORS ONLY: THE COMMISSIONER OF INSURANCE OF THE STATE OF NORTH CAROLINA HAS NOT APPROVED OR DISAPPROVED THIS OFFERING, NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS.

-----  
S-2

3

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in the Prospectus and this Prospectus Supplement and in the documents incorporated therein and herein by reference. Appendix B hereto (the "Index of Key Terms") contains a listing of defined terms and pages on which they are defined in this Prospectus Supplement.

PAINÉ WEBBER GROUP INC.

Paine Webber Group Inc. (the "Company") is a holding company which, together with its operating subsidiaries, forms one of the largest full-service securities firms in the industry. Founded in 1879, the Company has offices located throughout the United States and in many major foreign cities. The Company's principal line of business is to serve the investment and capital needs of individual, corporate, institutional and public agency clients through its broker-dealer subsidiary, PaineWebber Incorporated ("PaineWebber"), and other specialized subsidiaries. The Company is comprised of four interrelated core business groups -- Retail Sales and Marketing, Asset Management, Institutional Sales and Trading, and Investment Banking.

See "Selected Consolidated Financial Data" in the Prospectus for information concerning the Company's earnings and financial condition.

THE OFFERING

<TABLE>

<S>

<C>

SECURITIES OFFERED..... AMEX Hong Kong 30 Index Call Warrants Expiring January 17, 1996 (the "Warrants"). Each Warrant will entitle the beneficial owner thereof to receive from the Company, upon exercise (including automatic exercise), an amount in U.S. dollars computed by reference to increases in the American Stock Exchange Hong Kong 30 Index (the "AMEX Hong Kong 30 Index"). Such amount (the "Cash Settlement Value") will equal the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the Spot AMEX Hong Kong 30 Index (as

hereinafter defined) exceeds the Strike AMEX Hong Kong 30 Index (as hereinafter defined) for the applicable Valuation Date (as hereinafter defined) following exercise, divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$ per U.S.\$1.00. If the Strike AMEX Hong Kong 30 Index for a Valuation Date equals or exceeds the Spot AMEX Hong Kong 30 Index, the corresponding Cash Settlement Value will be zero; in which case, the Warrantholder will be permitted, subject to certain exceptions, to re-exercise such Warrant prior to the Expiration Date or the Delisting Date (as hereinafter defined). The Strike AMEX Hong Kong 30 Index is , which was the closing level of the AMEX Hong Kong 30 Index on January , 1994. As of January , 1994, the Spot AMEX Hong Kong 30 Index is and the Cash Settlement Value of the Warrants is zero.

PRICE.....  
 THE AMEX HONG KONG 30 INDEX.....

U.S.\$ per Warrant.  
 The AMEX Hong Kong 30 Index is a new capitalization-weighted stock index designed, developed, maintained and operated by, and is a service mark of, the American Stock Exchange (the "AMEX"). The AMEX Hong Kong 30

</TABLE>

S-3

4

<TABLE>  
 <CAPTION>  
 <S>

<C>  
 Index is being used by the Company with the permission of the AMEX. The AMEX Hong Kong 30 Index measures the composite price performance of 30 selected stocks trading on The Stock Exchange of Hong Kong Ltd. (the "HKSE"), and is designed to represent a substantial segment of the Hong Kong stock market. Business sector representation in the AMEX Hong Kong 30 Index consists primarily of finance, property development, utilities and conglomerates and also includes food retailing, hotel/leisure, property investment, airlines and luxury retailing. The AMEX Hong Kong 30 Index was established on June 25, 1993, on which date it was set at a value of 350.00.  
 Stocks that comprise the AMEX Hong Kong 30 Index may be changed or substituted by the AMEX based on certain criteria. The AMEX is under no obligation to continue the calculation or the dissemination of the AMEX Hong Kong 30 Index. See "The AMEX Hong Kong 30 Index" herein. If the AMEX discontinues publication of the AMEX Hong Kong 30 Index or any Successor Index (as hereinafter defined), the Determination Agent (as hereinafter defined) shall determine the applicable Cash Settlement Value based on the formula and method used in calculating the AMEX Hong Kong 30 Index or any Successor Index as in effect on the date the AMEX Hong Kong 30 Index or such Successor Index was last published. See "Certain Important Information Concerning the Warrants" herein

EXERCISE OF WARRANTS..... The Warrants will be immediately exercisable upon

issuance (subject to postponement as described herein under "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events") and may be exercised until 3:00 P.M., New York City time, on the earlier of (i) the New York Business Day (as hereinafter defined) immediately preceding the Expiration Date for the Warrants, which is January 17, 1996 (the "Expiration Date"), or (ii) the last New York Business Day prior to the effective date of their delisting from, or permanent suspension from trading on (within the meaning of the Securities Exchange Act of 1934 and the rules and regulations thereunder), the AMEX and failure to list on another United States national securities exchange (the "Delisting Date"). See "Description of the Warrants -- Exercise and Settlement of Warrants" herein.

EXERCISE AMOUNT..... A Warrant holder may exercise no fewer than 500 Warrants at any one time, except in the case of automatic exercise. See "Description of the Warrants -- Minimum Exercise Amount" herein. All exercises of Warrants (other than on the Expiration Date or the Delisting Date or upon the cancellation of Warrants as described herein under "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events") are subject, at the Company's option, to the limitation that not more than 1,000,000

</TABLE>

S-4

5

<TABLE>  
<CAPTION>  
<S>

<C>  
Warrants in total may be exercised on any Exercise Date and not more than 250,000 Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any other person or entity, on any Exercise Date. See "Description of the Warrants -- Maximum Exercise Amount" herein.

EXTRAORDINARY EVENTS AND EXERCISE

LIMITATION EVENTS..... See "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein for a description of such Events and the consequences of the declaration of such an Event by the Company.

CERTAIN RISK FACTORS.....

The Warrants involve a high degree of risk, including risks arising from fluctuations in the prices of the Underlying Stocks (as hereinafter defined), risks relating to the AMEX Hong Kong 30 Index and general risks applicable to the HKSE (the exchange on which the Underlying Stocks are traded), such as for example, market disruption events, suspensions and trading halts. Prospective purchasers of the Warrants should recognize that their Warrants may expire worthless. Purchasers should be prepared to sustain a total loss of the purchase price of their Warrants. The Warrants are appropriate investments only for investors with options approved accounts who are able to understand and bear the risk of a speculative

investment in the Warrants.  
It is not possible to predict how the Warrants will trade in the secondary market or whether such market will be liquid or illiquid.  
Application has been made to list the Warrants on the AMEX. In the event that the Warrants are delisted from, or permanently suspended from trading on, the AMEX, and not accepted at the same time for listing on another United States national securities exchange, Warrants not previously exercised will be deemed automatically exercised on the last New York Business Day prior to the effective date of such delisting or suspension, and the Cash Settlement Value, if any, shall be calculated and settled as provided below under "Description of the Warrants -- Automatic Exercise". See "Description of the Warrants -- Delisting of Warrants" herein. In the event of a delisting or suspension of trading on the AMEX, the Company will use its best efforts to list the Warrants on another United States national securities exchange. To the extent Warrants are exercised, the number of Warrants outstanding will decrease, resulting in a decrease in the liquidity of the Warrants.

The AMEX Hong Kong 30 Index has experienced significant movements in the past, and it is impossible to predict its future direction. See "The AMEX Hong Kong 30 Index -- Historical Data on the AMEX Hong Kong 30 Index" herein.  
Potential investors should be aware that PaineWebber, in its capacity as Determination Agent, is under no obligation to

</TABLE>

S-5

6

<TABLE>  
<CAPTION>  
<S>

<C>

take the interests of the Company or the Warrantheolders into consideration in the event it determines, composes or calculates the Cash Settlement Value. However, PaineWebber is an affiliate of the Company, and certain conflicts of interest may arise in connection with PaineWebber performing its role as Determination Agent. PaineWebber, as a registered broker-dealer, is required to maintain policies and procedures regarding the handling and use of confidential proprietary information, and such policies and procedures will be in effect throughout the term of the Warrants to restrict the use of information relating to the calculation of the Cash Settlement Value prior to its dissemination. Moreover, PaineWebber is obligated to carry out its duties and functions as Determination Agent in good faith and using its reasonable judgment. See "Description of the Warrants -- Exercise and Settlement of Warrants".

Except for cases of automatic exercise, a Warrantheolder must tender at least 500 Warrants at any one time in order to exercise its Warrants. Thus, except in such cases, Warrantheolders with



fewer than 500 Warrants will need either to sell their Warrants or to purchase additional Warrants, incurring transaction costs in each case, in order to realize upon their investment.

A Warrantholder will not be able to determine, at the time of exercise of a Warrant, the Spot AMEX Hong Kong 30 Index that will be used in calculating the Cash Settlement Value of such Warrant (and will thus be unable to determine such Cash Settlement Value). In addition, the Valuation Date for exercised Warrants may be postponed upon the occurrence and continuation of an Extraordinary Event or an Exercise Limitation Event (see "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein) or as a result of the exercise of a number of Warrants exceeding the limits on exercise described below under "Description of the Warrants -- Maximum Exercise Amount". Any downward movement in the level of the AMEX Hong Kong 30 Index between the time a Warrantholder submits an Exercise Notice and the time the Spot AMEX Hong Kong 30 Index for such exercise is determined (which period will, at a minimum, represent an entire Hong Kong Business Day (as hereinafter defined) and, in the case of a Valuation Date that is postponed following an Extraordinary Event or an Exercise Limitation Event or in the case of a postponement resulting from the exercise of a number of Warrants exceeding the limits on exercise described below under "Description of the Warrants -- Maximum Exercise Amount", may be substantially longer) will result in such Warrantholder receiving a Cash Settlement Value or Alternative Settlement Amount (as hereinafter defined) (including a zero Alternative Settlement Amount) that is less than the Cash Settlement Value anticipated by such Warrantholder based on the level of the

</TABLE>

S-6

7

<TABLE>  
<CAPTION>  
<S>

<C>

If the Company determines that on a Valuation Date an Extraordinary Event or Exercise Limitation Event has occurred and is continuing, then the Cash Settlement Value may be calculated on the basis that the Valuation Date shall be later than the date otherwise provided herein. Circumstances existed from October 20 through October 23, 1987 (prior to the inception of the AMEX Hong Kong 30 Index), on July 22, 1992 and on September 17, 1993, that would have constituted an Extraordinary Event and an Exercise Limitation Event. See "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein.

Investors are advised to consider carefully the foregoing risk factors and the risks and other matters discussed under "Risk Factors" in the Prospectus and "Certain Important Information Concerning the Warrants", "Description of the War-

rants" and "Certain United States Federal Income Tax Considerations" herein prior to purchasing the Warrants.

WHO SHOULD INVEST.....

The AMEX requires that the Warrants be sold only to investors whose accounts have been approved for options trading. In addition, the AMEX requires that its members and member organizations and registered employees thereof make certain suitability determinations before recommending transactions in Warrants.

Investment decisions relating to international stock index warrants require an investor to predict the direction of movements in the underlying index as well as the amount and timing of those movements. International stock index warrants may change substantially in value, or lose all of their value, with relatively small movements in the underlying index. Moreover, an index warrant is a "wasting asset" in that, in the absence of countervailing factors, such as an offsetting movement in the level of the index, the market value of an index warrant will tend to decrease over time and the warrant will have no market value after the time for exercise has expired.

Accordingly, international stock index warrants involve a high degree of risk and are not appropriate for every investor. Investors who are considering purchasing the Warrants must have an options approved account, be able to understand and bear the risk of a speculative investment in the Warrants, be experienced with respect to options and option transactions and understand the risks of stock index transactions. Such investors should reach an investment decision only after careful consideration with their advisers of the suitability of the Warrants in light of their particular financial circumstances and the information set forth in this Prospectus Supplement and the Prospectus. See "Certain Important Information Concerning the Warrants" herein. As indicated above, investors should be prepared to sustain a total loss of the purchase price of the Warrants.

PROPOSED LISTING.....

American Stock Exchange

WARRANT TRADING SYMBOL.....

HCW.WS

</TABLE>

S-7

8

<TABLE>

<CAPTION>

<S>

<C>

WARRANT AGENT.....

Citibank, N.A.

DETERMINATION AGENT.....

PaineWebber Incorporated

THE AMEX HONG KONG 30 INDEX QUOTATION

SYMBOL.....

HKX

</TABLE>

S-8

9

CERTAIN IMPORTANT INFORMATION  
CONCERNING THE WARRANTS

The registered or beneficial owner of a Warrant (a "Warrantholder")\* will receive a cash payment upon exercise (including automatic exercise) only if such Warrant has a Cash Settlement Value (or, if applicable, upon the occurrence of an Extraordinary Event or an Exercise Limitation Event as described under "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein, an Alternative Settlement Amount, as hereinafter defined) greater than zero at such time. Prospective purchasers of the Warrants should recognize that their Warrants may expire worthless and they should be prepared to sustain a total loss of the purchase price of their Warrants. The Cash Settlement Value of a Warrant will be an amount in U.S. dollars equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the Spot AMEX Hong Kong 30 Index exceeds the Strike AMEX Hong Kong 30 Index for the applicable Valuation Date, divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$            per U.S.\$1.00. See "Description of the Warrants -- Cash Settlement Value" herein.

The "Strike AMEX Hong Kong 30 Index" is           , which was the closing level of the AMEX Hong Kong 30 Index on January           , 1994. The "Spot AMEX Hong Kong 30 Index" for any date means the closing level on such date of the AMEX Hong Kong 30 Index as compiled and published by the AMEX. See "The AMEX Hong Kong 30 Index" herein. In the event that the AMEX Hong Kong 30 Index is not published by the AMEX but is published by another person not affiliated with, but acceptable to, the Company (the "Third Party"), then the Spot AMEX Hong Kong 30 Index for any date thereafter will be determined based on the closing level of the AMEX Hong Kong 30 Index as published by such Third Party. If the AMEX or any Third Party discontinues publication of the AMEX Hong Kong 30 Index and publishes a successor or substitute index that the Company determines, in its sole discretion, to be comparable to the AMEX Hong Kong 30 Index (any such index being a "Successor Index"), then the Spot AMEX Hong Kong 30 Index for any date thereafter will be determined by the Determination Agent on behalf of the Company based on the closing level of the Successor Index on such date. If the AMEX or any Third Party makes a material change in the formula for, or the method of calculating, the AMEX Hong Kong 30 Index or any Successor Index, the Determination Agent shall make such calculations as may be required to determine the applicable Cash Settlement Value using the formula and method of calculating the Index or any Successor Index as in effect prior to such change or modification. If the AMEX and/or any Third Party discontinues publication of the AMEX Hong Kong 30 Index and/or any Successor Index, the Company will cause the Determination Agent to determine the applicable Cash Settlement Value based on the formula and method used in calculating the AMEX Hong Kong 30 Index or any Successor Index as in effect on the date the AMEX Hong Kong 30 Index or such Successor Index was last published.

Except under the circumstances described in the next paragraph, the Valuation Date for an exercised Warrant will be the first Index Calculation Day after the related Exercise Date. The Exercise Date for an exercised Warrant, subject to certain exceptions described under "-- Exercise and Settlement of the Warrants", "-- Limit Option" and "-- Automatic Exercise" under "Description of the Warrants" herein, will be the New York Business Day on which such Warrant and an Exercise Notice (as hereinafter defined) in proper form are received by the Warrant Agent (as hereinafter defined) if received at or prior to 3:00 P.M., New York City time, on such day; if such Warrant and Exercise Notice are received after such time, the Exercise Date will be the next succeeding New York Business Day. See "Description of the Warrants -- Exercise and Settlement of Warrants" herein.

The Valuation Date for an exercised Warrant will occur after the Exercise Date (see "Description of the Warrants -- Exercise and Settlement of Warrants" herein). Therefore, a Warrantholder will not be able to determine, at the time of exercise of a Warrant, the Spot AMEX Hong Kong 30 Index that will be used in calculating the Cash Settlement Value of such Warrant (and will thus be unable to determine such Cash Settlement Value). In addition, the Valuation Date for exercised Warrants may be postponed upon the occurrence and continuation of an Extraordinary Event or an Exercise Limitation Event (see "Description of

- -----  
\* Refer to "Index of Key Terms" attached hereto as Appendix B for a listing of defined terms and pages on which they are defined in this Prospectus Supplement.

S-9

10

the Warrants -- Extraordinary Events and Exercise Limitation Events" herein) or as a result of the exercise of a number of Warrants exceeding the limits on exercise described below under "Description of the Warrants -- Maximum Exercise Amount." Any downward movement in the level of the AMEX Hong Kong 30 Index between the time a Warrantheader submits an Exercise Notice and the time the Spot AMEX Hong Kong 30 Index for such exercise is determined (which period will, at a minimum, represent an entire Hong Kong Business Day and, in the case of a Valuation Date postponed following an Extraordinary Event or an Exercise Limitation Event or as a result of there being exercised a number of Warrants exceeding the maximum permissible amount, may be substantially longer) will, subject to the Limit Option described below and under "Description of the Warrants -- Limit Option" herein, result in such Warrantheader receiving a Cash Settlement Value or Alternative Settlement Amount (including a zero Alternative Settlement Amount) that is less than the Cash Settlement Value anticipated by such Warrantheader based on the closing level of the AMEX Hong Kong 30 Index most recently reported prior to exercise. The AMEX will calculate the AMEX Hong Kong 30 Index once each Index Calculation Day based upon the most recent official closing prices of each of the Underlying Stocks as reported by the HKSE. Due to time differences, trading on the HKSE occurs when the AMEX is closed for business.

The Warrants will originally be issued as certificates in registered form. Accordingly, a beneficial owner of Warrants holding such Warrants indirectly (for instance, through a broker that holds such Warrants in "street name") may exercise such Warrants only through such owner's registered holder. In the case of a beneficial owner holding Warrants through his broker in "street name" who wishes to exercise his Warrants, such beneficial owner must direct his broker, who may in turn need to direct another intermediary, to deliver an Exercise Notice and the related Warrants to the Warrant Agent. To ensure that an Exercise Notice and the related Warrants will be delivered to the Warrant Agent before 3:00 P.M., New York City time, on a particular New York Business Day, a beneficial holder of Warrants may need to give exercise instructions to his broker or other intermediary substantially earlier than 3:00 P.M., New York City time, on such day. Different brokerage firms may have different cut-off times and other exercise mechanics. See "-- Exercise and Settlement of Warrants" and "-- Limit Option" under "Description of the Warrants" herein.

Forty-five calendar days after the closing of the offering (which closing date is expected to be January , 1994), each Warrantheader will have the option to convert the form in which such Warrantheader holds his Warrants from certificated to book-entry form (the "Conversion Option"). Such conversion will occur through the facilities of The Depository Trust Company, New York, New York ("DTC", which term, as used herein and in the Prospectus, includes any successor depository selected by the Company). In addition, Warrant certificates held through the facilities of CEDEL or Euroclear (as such terms are hereinafter defined) will automatically be exchanged into book-entry form by CEDEL or Euroclear, as the case may be, pursuant to the Conversion Option on the last day of the Conversion Option Period (as hereinafter defined) without action of, or consent by, the beneficial owner of the related Warrants. Accordingly, Warrantheaders holding their Warrants through CEDEL or Euroclear who do not wish to convert the form in which they hold such Warrants to book-entry form must arrange to transfer their Warrants out of the CEDEL or Euroclear systems, as the case may be, prior to the last day of the Conversion Option Period. See "Description of the Warrants -- Book-Entry Conversion" and "-- CEDEL and Euroclear" herein and "Description of the Warrants -- Book-Entry Procedures and Settlement" in the Prospectus. To exercise Warrants, a Warrantheader who has utilized the Conversion Option must direct a broker, who may in turn need to

direct a Participant (as defined in the Prospectus under "Description of Warrants -- Book-Entry Procedures and Settlement"), to transfer Warrants held by DTC on behalf of such Warrantholder and to submit an Exercise Notice to the Warrant Agent. A Warrantholder may desire that the New York Business Day on which his Warrants and an Exercise Notice are delivered on his behalf to the Warrant Agent will constitute the Exercise Date for the Warrants being exercised (for example, to utilize the Limit Option most effectively). To achieve such objective, the Warrantholder must cause such Warrants to be transferred free on the records of DTC to, and such Exercise Notice to be received by, the Warrant Agent at or prior to 3:00 P.M., New York City time, on such New York Business Day; provided, however, that in the case of Warrants held through CEDEL or Euroclear, the Warrants must be transferred to the Warrant Agent prior to 3:00 P.M., New York City time, on the relevant Valuation Date. To ensure that such Warrants and Exercise Notice will be received by the Warrant Agent at or prior to such time, such Warrantholder must give the appropriate directions to his broker

S-10

11

before such broker's (and, if such broker is not a Participant, the applicable Participant's) cut-off time for accepting exercise instructions from customers for that day. Different brokerage firms may have different cut-off times for accepting and implementing exercise instructions from their customers. Therefore, Warrantholders holding their Warrants in book-entry form should consult with their brokers or other intermediaries, if applicable, as to applicable cut-off times and other exercise mechanics. See "-- Exercise and Settlement of Warrants" and "-- Limit Option" under "Description of the Warrants" herein. FORMS OF EXERCISE NOTICE FOR WARRANTS HELD IN BOOK-ENTRY FORM MAY BE OBTAINED AT THE WARRANT AGENT'S OFFICE (AS HEREINAFTER DEFINED), DURING THE WARRANT AGENT'S NORMAL BUSINESS HOURS. SEE "DESCRIPTION OF THE WARRANTS -- GENERAL" HEREIN.

If the Company determines that an Extraordinary Event or an Exercise Limitation Event has occurred and is continuing on any day that would otherwise be a Valuation Date for any exercised Warrant, then the Valuation Date for such Warrant will be postponed to the next Index Calculation Day following the Hong Kong Business Day on which there is no Extraordinary Event or Exercise Limitation Event; provided that if the postponed Valuation Date has not occurred on or prior to the Expiration Date or the Delisting Date, the Warrantholders will receive the Alternative Settlement Amount (as described below) in lieu of the Cash Settlement Value; provided, further, that, in the case of an Extraordinary Event, if the Company determines that such Extraordinary Event is expected to continue and the Company notifies the Warrant Agent that it is cancelling the Warrants, then the date on which such notice is given (whether or not such date is a New York Business Day) will become the Valuation Date for such Warrant, in which case such Warrantholder will receive, in lieu of the Cash Settlement Value of such Warrant, the Alternative Settlement Amount thereof, which is equal to the greater of (a) the average of the last sale prices, if available, of the Warrants on the AMEX (or any successor United States securities exchange on which the Warrants are listed) on the 30 trading days preceding the date on which such Extraordinary Event was declared and (b) an amount equal to the sum of the Cash Settlement Value of the Warrants on such Valuation Date and a ratable portion of the initial offering price of the Warrants, in each case subject to certain exceptions and adjustments. The Cash Settlement Value or the Alternative Settlement Amount of a Warrant determined as of any such postponed Valuation Date may be substantially lower (including zero) than the otherwise applicable Cash Settlement Value thereof. See "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein, which includes a description of events, circumstances or causes constituting Extraordinary Events and Exercise Limitation Events.

The level of the AMEX Hong Kong 30 Index will determine whether the Warrants have a Cash Settlement Value greater than zero on any given day. The Warrants will be "at-the-money" (i.e., their Cash Settlement Value will be zero)

when initially offered and will be "in-the-money" (i.e., their Cash Settlement Value will be greater than zero) on any given day only if the level of the AMEX Hong Kong 30 Index increases so that the Spot AMEX Hong Kong 30 Index is above the Strike AMEX Hong Kong 30 Index (i.e., if the level of the AMEX Hong Kong 30 Index is above      ). An increase in the level of the AMEX Hong Kong 30 Index will result in a greater Cash Settlement Value, and a decrease in the level of the AMEX Hong Kong 30 Index will result in a lesser or zero Cash Settlement Value. Potential profit or loss upon exercise (including automatic exercise) of a Warrant will be a function of the Cash Settlement Value (or, if applicable, the Alternative Settlement Amount) of such Warrant upon exercise, the purchase price of such Warrant and any related transaction costs.

If a Warrant is not exercised prior to 3:00 P.M., New York City time, on (i) the New York Business Day preceding the Expiration Date (as hereinafter defined) or (ii) the Delisting Date and if the Strike AMEX Hong Kong 30 Index equals or exceeds the Spot AMEX Hong Kong 30 Index on the appropriate Valuation Date, such Warrant will expire worthless and the Warrantholder will have sustained a total loss of the purchase price of such Warrant. See "Risk Factors" in the Prospectus.

Investment decisions relating to international stock index warrants require the investor to predict the direction of movements in the underlying index as well as the amount and timing of those movements. International stock index warrants may change substantially in value, or lose all of their value, with relatively small movements in the underlying index. Moreover, an index warrant is a "wasting asset" in that, in the absence of countervailing factors, such as an offsetting movement in the level of the index, the market value of

S-11

12

an index warrant will tend to decrease over time and the warrant will have no market value after the time for exercise has expired. Accordingly, international stock index warrants involve a high degree of risk and are not appropriate for every investor. Investors who are considering purchasing the Warrants must be able to understand and bear the risk of a speculative investment in the Warrants and be experienced with respect to options and option transactions and understand the risks of stock index transactions. Such investors should reach an investment decision only after careful consideration, with their advisers, of the suitability of the Warrants in light of their particular financial circumstances and the information set forth in this Prospectus Supplement and in the Prospectus. The AMEX requires that the Warrants be sold only to investors whose accounts have been approved for options trading. In addition, the AMEX requires that its members and member organizations and registered employees thereof make certain suitability determinations before recommending transactions in Warrants. Before making any investment in the Warrants, it is important that a prospective investor become informed about and understand the nature of the Warrants in general, the specific terms of the Warrants and the nature of the underlying international stock index. An investor should understand the consequences of liquidating his investment in an index warrant by exercising it as opposed to selling it. It is especially important for an investor to be familiar with the procedures governing the exercise of international stock index warrants, since a failure to properly exercise a warrant prior to its expiration could result in the loss of his entire investment. This includes knowing when warrants are exercisable and how to exercise them.

Except in the case of automatic exercise, a Warrantholder may be able to limit to some extent the risk associated with any such downward movement in the AMEX Hong Kong 30 Index between an Exercise Date and the applicable Valuation Date if such Warrantholder, in connection with an exercise of Warrants, elects the Limit Option. Pursuant to the Limit Option, Warrants tendered for exercise will not be exercised if the Spot AMEX Hong Kong 30 Index as of the applicable Valuation Date is 20 or more points lower than the closing level of the AMEX Hong Kong 30 Index on the applicable Exercise Date or, if such date is not an Index Calculation Day, on the immediately preceding Index Calculation Day. See



"Description of the Warrants -- Limit Option" herein. However, in the event of the occurrence of an Extraordinary Event resulting in the payment to Warrantholders of an Alternative Settlement Amount in lieu of the Cash Settlement Value, the Limit Option will not preclude the exercise of Warrants as described herein under "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events".

A Warrantholder may exercise no fewer than 500 Warrants at any time, except in the case of automatic exercise. Accordingly, except in the case of automatic exercise of the Warrants, Warrantholders with fewer than 500 Warrants will need either to sell their Warrants or to purchase additional Warrants, thereby incurring transaction costs, in order to realize upon their investment.

Potential investors should be aware that PaineWebber, in its capacity as Determination Agent, is under no obligation to take the interests of the Company or the Warrantholders into consideration in the event it determines, composes or calculates the Cash Settlement Value. PaineWebber and its affiliates may from time to time engage in transactions involving the Underlying Stocks for their proprietary accounts and for other accounts under their management, which may influence the value of such Underlying Stocks. PaineWebber and its affiliates will also be the writers of the hedge of the Company's obligations under the Warrants and will be obligated to pay to the Company upon exercise of the Warrants an amount equal to the value of the Warrants. Accordingly, under certain circumstances, conflicts of interest may arise between PaineWebber's responsibilities as Determination Agent with respect to the Warrants and its obligations under its hedge. In addition, because PaineWebber is an affiliate of the Company, conflicts of interest may arise in connection with PaineWebber performing its role as Determination Agent. PaineWebber, as a registered broker-dealer, is required to maintain policies and procedures regarding the handling and use of confidential proprietary information, and such policies and procedures will be in effect throughout the term of the Warrants to restrict the use of information relating to the calculation of the Cash Settlement Value prior to its dissemination. PaineWebber is also obligated to carry out its duties and functions as Determination Agent in good faith and using its reasonable judgment.

S-12

13

THE INITIAL OFFERING PRICE OF THE WARRANTS MAY BE IN EXCESS OF THE PRICE THAT A COMMERCIAL USER OF OPTIONS ON THE AMEX HONG KONG 30 INDEX MIGHT PAY FOR A COMPARABLE OPTION IN A PRIVATE, LESS LIQUID TRANSACTION.

Since the Cash Settlement Value of a Warrant will be determined using a fixed Hong Kong dollar/U.S. dollar exchange rate, prospective purchasers intending to utilize the Warrants to hedge a Hong Kong stock portfolio against currency risk should recognize that the effect of changes in the Hong Kong dollar/U.S. dollar exchange rate on the value of such portfolio may not be fully hedged by holding the Warrants. On October 17, 1983, after a period of instability in the exchange rate of the Hong Kong dollar, a revised exchange rate system was introduced. Under this system, any bank in Hong Kong which is authorized by law to issue Hong Kong dollar bank notes is required to hold, as cover for such issuance, certificates of indebtedness issued by the Hong Kong Government. Such certificates of indebtedness are issued and redeemed by the Hong Kong Government against payments in U.S. dollars at a fixed exchange rate of H.K.\$7.80 to U.S.\$1.00. There can be no assurance as to whether such fixed exchange rate between the Hong Kong dollar and the U.S. dollar will remain in effect or be changed. Since January 29, 1988, the market exchange rate between the U.S. dollar and the Hong Kong dollar has varied within H.K.[\$7.82 and H.K.\$7.72] per U.S.\$1.00 (based on data from The Federal Reserve Bank of New York). See also "Risk Factors -- Certain Considerations Regarding Hedging" in the Prospectus.

On January , 1994, the closing level of the AMEX Hong Kong 30 Index was

References herein to "U.S. dollar", "U.S.\$" or "\$" are to the lawful currency of the United States of America. References to "Hong Kong dollar" or "H.K.\$" are to the lawful currency of Hong Kong. As used herein, "New York Business Day" means any day other than a Saturday or a Sunday or a day on which either the AMEX or the New York Stock Exchange is not open for securities trading or commercial banks in New York City are required or authorized by law or executive order to remain closed, and "Hong Kong Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banks in Hong Kong are not open for a full day of business. As used herein, "Index Calculation Day" means any day on which the AMEX Hong Kong 30 Index or any Successor Index is calculated and published.

#### CERTAIN IMPORTANT INFORMATION RELATING TO CHINA

Although the AMEX has represented that none of the companies whose stocks comprise the AMEX Hong Kong 30 Index is or will be organized under the laws of the People's Republic of China ("China"), the level of the AMEX Hong Kong 30 Index nonetheless can be affected by developments in China. China currently indirectly influences political and economic developments in various parts of Asia, including Hong Kong, and its influence is expected to continue to grow. Political, economic or social developments in, and diplomatic and other developments associated with, China could affect economic conditions in Hong Kong and on the market prices and liquidity of securities traded on the HKSE, including the Underlying Stocks. Moreover, many of the issuers of the Underlying Stocks have substantial investments in China, which investments could be affected by political, economic, market and other developments in or affecting China. Accordingly, political or economic developments in China could affect the level of the AMEX Hong Kong 30 Index and thus the value of the Warrants.

On December 19, 1984, the Government of the United Kingdom and the Government of China signed a Joint Declaration under which sovereignty over Hong Kong will be transferred from the United Kingdom to China on July 1, 1997. Pursuant to the Joint Declaration, China promulgated on April 4, 1990 the Basic Law (the "Basic Law") setting out the terms under which Hong Kong will operate from 1997 as a Special Administrative Region of China.

It is not clear how future developments in Hong Kong and China may affect the implementation of the Basic Law after the transfer of sovereignty in 1997. As a result of this political and legal uncertainty, the economic prospects of Hong Kong and the companies whose stocks comprise the AMEX Hong Kong 30 Index are uncertain. Accordingly, the HKSE has been, and can be expected to remain, volatile and sensitive to political developments with regard to Hong Kong's future and perceptions of actual or potential political developments of that kind. For this reason among others, the AMEX Hong Kong 30 Index and the value of the Warrants can also be expected to be volatile.

S-13

14

#### USE OF PROCEEDS

A substantial portion of the proceeds to be received by the Company from the sale of the Warrants will be used by the Company or one or more of its subsidiaries in connection with hedging the Company's obligations under the Warrants. Such hedging activities are expected to include purchasing or maintaining positions in a variety of financial instruments relating to the AMEX Hong Kong 30 Index and the Underlying Stocks and the Hong Kong dollar/U.S. dollar exchange rate (which may include certain types of instruments that entail only potential payments upon closeout but not up-front acquisition costs). The conduct of such hedging activities will not be limited to any particular securities or futures exchange. Depending on future market conditions and the actual number of Warrants outstanding from time to time, among other things, the aggregate amount and the composition of such positions are likely to vary over time. The remainder of the proceeds, if any, will be used for general corporate



purposes.

DESCRIPTION OF THE WARRANTS

GENERAL

The Warrants will be issued pursuant to a Warrant Agreement (the "Warrant Agreement"), to be dated as of January , 1994, among the Company, Citibank, N.A., as Warrant Agent (the "Warrant Agent"), and PaineWebber Incorporated as Determination Agent. The following summaries of certain provisions of the Warrants and the Warrant Agreement do not purport to be complete and are subject to, and qualified in their entirety by reference to, all of the provisions of the Warrant Agreement (including the form of Warrant certificate and form of global Warrant certificate attached as exhibits thereto). The Warrant Agreement will be available for inspection by any Warrantholder at the office of the Warrant Agent (the "Warrant Agent's Office"), which is currently located at 111 Wall Street, 5th Floor, New York, New York 10043, during the Warrant Agent's normal business hours. See "Description of Warrants" in the Prospectus.

The aggregate number of Warrants to be issued will be 2,000,000, subject to the right of the Company to "reopen" the issue of Warrants and issue additional Warrants with substantially identical terms at a later time. See "Underwriting".

A Warrant will not require or entitle a Warrantholder to sell or deliver any shares of any component stock underlying the AMEX Hong Kong 30 Index or any Successor Index (an "Underlying Stock") or any other securities to the Company. Upon exercise of a Warrant, the Company will make only a U.S. dollar cash payment in the amount of the Cash Settlement Value or Alternative Settlement Amount, if any and as applicable, of such Warrant. The Company is under no obligation to, nor will it, purchase or take delivery of any shares of any Underlying Stock or any other securities from Warrantholders in connection with the exercise of any Warrants. Warrantholders will not receive any interest on any Cash Settlement Value or Alternative Settlement Amount, and the Warrants will not entitle the Warrantholders to any of the rights of holders of any Underlying Stock or any other securities.

The AMEX has advised the Company that the Warrants shall, for margin purposes, be treated as if they were option contracts subject to AMEX Rule 462(d) relating to Minimum Margins.

CASH SETTLEMENT VALUE

Each Warrant will entitle the Warrantholder to receive, upon exercise (including automatic exercise), the Cash Settlement Value of such Warrant, except that, under the circumstances described under "-- Extraordinary Events and Exercise Limitation Events" below, such Warrantholder may instead receive the Alternative Settlement Amount for such Warrant. The Cash Settlement Value of a Warrant will be an amount in U.S. dollars equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the Spot AMEX Hong Kong 30 Index exceeds the Strike AMEX Hong Kong 30 Index for the Valuation Date for such Warrant, divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$ per U.S.\$1.00, as indicated in the following formula:

<TABLE>

<S>	<C>	<C>		<C>	<C>	<C>
	(	Spot AMEX Hong Kong 30 Index -	)		/	H.K.\$
Cash Settlement Value =		3				

</TABLE>

HYPOTHETICAL WARRANT VALUES ON EXERCISE

Set forth below is a hypothetical example demonstrating the Cash Settlement Values of a Warrant at the Strike AMEX Hong Kong 30 Index and at various levels of the Spot AMEX Hong Kong 30 Index. The Cash Settlement Value numbers in the table have been rounded to two decimal places.

<TABLE>  
<CAPTION>

<S>	HYPOTHETICAL SPOT AMEX HONG KONG 30 INDEX -----	APPROXIMATE CASH SETTLEMENT VALUE (ALSO KNOWN AS "INTRINSIC VALUE") OF CALL WARRANT (1) -----
	<C>	<C>
	800	U.S.\$8.63
	750	6.47
	700	4.32
	650	2.16
Equal to or less than.....	600 (Strike)	0.00

</TABLE>

(1) Based on a fixed exchange rate of H.K.\$7.725 per U.S.\$1.00 and a hypothetical strike index level of 600, exclusive of time value. The time value of each Warrant will decline as the Expiration Date approaches, reaching zero on the Expiration Date. Investors will receive only the cash settlement value if the Warrants are exercised. If traded on the AMEX, investors will receive the market value of the Warrants, which includes the Cash Settlement Value plus any remaining time value. On the Expiration Date, Warrants that are "in-the-money" will be automatically exercised.

WARRANT CERTIFICATES

The Warrants will be issued as certificates in registered form (each, a "Warrant Certificate"). The Warrant Agent will from time to time register the transfer of any outstanding Warrant Certificate upon surrender thereof at the Warrant Agent's Office duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent and the Company, duly executed by the registered holder thereof, a duly appointed legal representative or a duly authorized attorney. Such signature must be guaranteed by a bank or trust company having a correspondent office in New York City or a member of a national securities exchange. A new Warrant Certificate will be issued to the transferee upon any such registration of transfer.

At the option of a Warrantholder, Warrant Certificates may be exchanged for other Warrant Certificates representing a like number of Warrants upon surrender to the Warrant Agent at the Warrant Agent's Office of the Warrant Certificates to be exchanged. The Company will thereupon execute, and the Warrant Agent will countersign and deliver, one or more new Warrant Certificates representing such like number of Warrants.

In the event that, after any exercise of Warrants evidenced by a Warrant Certificate, the number of Warrants exercised is fewer than the total number of Warrants evidenced by such certificate, a new Warrant Certificate evidencing the number of Warrants not exercised will be issued to the registered holder or his assignee. See "-- Minimum Exercise Amount" below.

If any Warrant Certificate is mutilated, lost, stolen or destroyed, the Company may in its discretion execute, and the Warrant Agent may countersign and deliver, in exchange and substitution for such mutilated Warrant Certificate, or in replacement for such lost, stolen or destroyed Warrant Certificate, a new Warrant Certificate representing a like number of Warrants, but only (in the case of loss, theft or destruction) upon receipt of evidence satisfactory to the Company and the Warrant Agent of loss, theft or destruction of such Warrant Certificate and security or indemnity, if requested, satisfactory to them. Warrantholders requesting replacement Warrant Certificates must also comply with

such other reasonable regulations and pay such reasonable charges as the Company or the Warrant Agent may prescribe. In case all of the Warrants represented by any such mutilated, lost, stolen or destroyed Warrant Certificate have been or are about to be exercised (including automatic exercise), the Company in its discretion may, instead of issuing a new Warrant Certificate, direct the Warrant Agent to treat such Warrant Certificate the same as if the Warrant Agent had received an Exercise Notice in proper form in respect thereof or as being subject to automatic exercise, as the case may be.

S-15

16

No service charge will be made for any registration of transfer or exchange of Warrant Certificates, but the Company may require the payment of a sum sufficient to cover any tax or governmental charge that may be imposed in relation thereto, other than exchanges not involving any transfer. In the case of the replacement of mutilated, lost, stolen or destroyed Warrant Certificates, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Warrant Agent) connected therewith.

Warrant Certificates held through CEDEL will be held by Citibank, N.A. ("Citibank"), as custodian for CEDEL, and Warrant Certificates held through Euroclear will be held by Morgan Guaranty Trust Company of New York ("Morgan"), as custodian for Euroclear. After the last day of the Conversion Option Period, Warrantholders may no longer hold certificated positions through CEDEL or Euroclear. See "-- Book-Entry Conversion" herein.

#### BOOK-ENTRY CONVERSION

Forty-five calendar days after the closing of the offering (which closing date is expected to be January , 1994), each Warrantholder will have the option to convert the form in which such Warrantholder holds his Warrants from definitive to book-entry form by utilizing the Conversion Option. The Conversion Option will be available for 45 calendar days (the "Conversion Option Period") and is expected to run from March , 1994 through April , 1994.

In order to be exchanged for a Warrant in book-entry form, a Warrant Certificate must be delivered to DTC, in proper form for deposit, by a Participant. Accordingly, a Warrantholder who is not a Participant (other than a Warrantholder holding Warrants through CEDEL or Euroclear) must deliver his Warrant Certificate, in proper form for deposit, to a Participant, either directly or through an indirect participant (such as a bank, brokerage firm, dealer or trust company that clears through, or maintains a custodial relationship with, a Participant) or brokerage firm which maintains an account with a Participant, in order to have its Warrant Certificate exchanged for a Warrant in book-entry form. Such Warrantholders who desire to exchange their Warrant Certificates for Warrants in book-entry form should contact their brokers or other Participants or indirect participants to obtain information on procedures for submitting their Warrant Certificates to DTC, including the proper form for submission and (during the Conversion Option Period) the cut-off times for same day and next day exchange. Warrant Certificates which are held by the Warrantholder in nominee or "street" name may be automatically exchanged into book-entry form by the broker or other entity in whose name such Warrant Certificates are registered, without action of, or consent by, the beneficial owner of the related Warrant. In addition, Warrant Certificates held through the facilities of CEDEL or Euroclear will automatically be exchanged into book-entry form by CEDEL or Euroclear, as the case may be, pursuant to the Conversion Option on the last day of the Conversion Option Period without action of, or consent by, the beneficial owner of the related Warrants. Accordingly, Warrantholders holding their Warrants through CEDEL or Euroclear who do not wish to convert the form in which they hold such Warrants to book-entry form must arrange to transfer their Warrants out of the CEDEL or Euroclear systems, as the case may be, prior to the last day of the Conversion Option Period. Thereafter,

Warrantholders may no longer hold certificated Warrants through the facilities of CEDEL or Euroclear.

Warrant Certificates received by DTC for exchange during the Conversion Option Period will be exchanged for Warrants in book-entry form by the close of business on the New York Business Day that such Certificates are received by DTC (if received by DTC at its then applicable cut-off time for same day credit) or on the following New York Business Day (if received by DTC at its then applicable cut-off time for next day credit). After the last day of the Conversion Option Period, DTC will not be required to accept delivery of Warrant Certificates in exchange for book-entry Warrants, but may permit Warrant Certificates to be so exchanged on a case-by-case basis. However, there can be no assurance that such Warrant Certificates will be accepted for exchange. Warrants surrendered at any time for exchange for book-entry Warrants may not be exercised or delivered for settlement or transfer until such exchange has been effected. Accordingly, if an increase in the value of the AMEX Hong Kong 30 Index were to occur after a Warrant Certificate had been surrendered for exchange into book-entry form, a Warrantholder would not be able to take advantage of the increase by exercising his Warrant until such exchange had been effected. Since Warrant Certificates are not

S-16

17

required to be exchanged for Warrants in book-entry form, it is likely that not all Warrant Certificates will be so exchanged. Accordingly, Warrantholders purchasing Warrants in secondary market trading after commencement of the Conversion Option Period may wish to make specific arrangements with brokers or other Participants or indirect participants if they wish to purchase Warrants in book-entry form only and not Warrant Certificates. The Company has been informed by CEDEL and Euroclear that such clearing agencies will only clear Warrants in book-entry form after the Conversion Option Period.

Once a Warrantholder has elected the Conversion Option, such Warrantholder may hold his Warrants only in book-entry form and will not be able to change his election or withdraw from the book-entry system during the Conversion Option Period or thereafter. Accordingly, except in certain limited circumstances described in the Prospectus under "Description of Warrants -- Book-Entry Procedures and Settlement", ownership of the Warrants in certificated form will no longer be available to investors who have elected the Conversion Option.

#### CEDEL AND EUROCLEAR

Warrantholders may hold their Warrants in either book-entry or certificated form through CEDEL or Euroclear if they are participants of such systems, or indirectly through organizations which are participants in such systems. The common security registration number used by CEDEL and Euroclear for the Warrants is . While Warrantholders may initially hold their Warrants in certificated form through CEDEL or Euroclear, as described above under "-- Book-Entry Conversion", it is anticipated that Warrant Certificates held through such systems will be converted into book-entry form on the last day of the Conversion Option Period and, accordingly, certificated ownership of Warrants will no longer be available through such systems after such day.

CEDEL and Euroclear will hold omnibus certificated positions and omnibus book-entry positions on behalf of their participants through customers' securities accounts in CEDEL's and Euroclear's names on the books of their respective depositaries which in turn will, in the case of certificated positions only, hold such positions in customers' securities accounts in the depositaries' names on the books of DTC. Citibank will act as depositary for CEDEL and Morgan will act as depositary for Euroclear (in such capacities, the "Depositaries"). All securities in CEDEL or Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Exercises of certificated Warrants by persons holding through CEDEL or Euroclear participants will be effected through Citibank or Morgan, as the case may be; however, such transactions will require delivery of exercise instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the exercise meets its requirements, deliver instructions to its Depository to take action to effect the exercise of the Warrants on its behalf by delivering Warrants to the Warrant Agent, and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the certificated Warrants held through CEDEL or Euroclear will be credited to the cash accounts of CEDEL participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its Depository. See "-- Exercise and Settlement of the Warrants" herein.

Exercises of book-entry Warrants by persons holding through CEDEL or Euroclear participants will be effected through DTC, in accordance with DTC rules, on behalf of the relevant European international clearing system by its Depository; however, such transactions will require delivery of exercise instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the exercise meets its requirements, deliver instructions to its Depository to take action to effect its exercise of the Warrants on its behalf by delivering Warrants through DTC and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the Warrants held through CEDEL or Euroclear will be credited to the cash accounts of CEDEL participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its Depository. See "-- Exercise and Settlement of the Warrants" herein.

S-17

18

Centrale de Livraison de Valeurs Mobilieres S.A. ("CEDEL") is incorporated under the laws of Luxembourg as a professional depository. CEDEL holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between CEDEL participants through electronic book-entry changes in accounts of CEDEL participants, thereby eliminating the need for physical movement of certificates. Transactions may be settled in CEDEL in any of 28 currencies, including U.S. dollars. CEDEL provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. CEDEL interfaces with domestic markets in several countries. As a professional depository, CEDEL is subject to regulation by the Luxembourg Monetary Institute. CEDEL participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the Underwriters. Indirect access to CEDEL is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a CEDEL participant, either directly or indirectly.

The Euroclear System was created in 1968 to hold securities for participants in the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in any of 27 currencies, including U.S. dollars. The Euroclear System includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. The Euroclear System is operated by Morgan's Brussels,

Belgium office (the "Euroclear Operator" or "Euroclear"), under contract with Euroclear Clearance System S.C., a Belgian cooperative corporation (the "Cooperative"). Morgan is a member bank of the United States Federal Reserve System. All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear System on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Underwriters. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within the Euroclear System, withdrawal of securities and cash from the Euroclear System, and receipt of payments with respect to securities in the Euroclear System. All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

All information herein on CEDEL and Euroclear is derived from CEDEL or Euroclear, as the case may be, and reflects the policies of such organizations; such policies are subject to change without notice.

#### EXERCISE AND SETTLEMENT OF WARRANTS

The Warrants will be immediately exercisable upon issuance, subject to postponement upon the occurrence of an Extraordinary Event or an Exercise Limitation Event as described under "-- Extraordinary Events and Exercise Limitation Events" herein, and will expire on January 17, 1996 (the "Expiration Date"). Warrants not exercised (including by reason of any such postponed exercise) at or before 3:00 P.M., New York City time, on the earlier of (i) the New York Business Day immediately preceding the Expiration Date and (ii) the Delisting Date, will be automatically exercised as described under "-- Automatic Exercise" below. See "-- Minimum Exercise Amount" and "-- Maximum Exercise Amount" below.

S-18

19

A Warrantholder may exercise certificated Warrants on any New York Business Day during the period from the date of issuance of such Warrants until 3:00 P.M., New York City time, on the earlier of (i) the New York Business Day immediately preceding the Expiration Date and (ii) the Delisting Date, by delivering or causing to be delivered to the Warrant Agent the Warrant Certificate representing such Warrants with the irrevocable notice of exercise on the reverse thereof (or a notice of exercise in substantially identical form delivered therewith) (such notice, an "Exercise Notice") duly completed and executed. The Warrant Agent's telephone number and facsimile transmission number for this purpose are (212) 657-7269 and (212) 825-3483, respectively.

In the case of Warrants held through the facilities of DTC, a Warrantholder may exercise such Warrants on any New York Business Day during the period from the date of issuance of such Warrants until 3:00 P.M., New York City time, on the earlier of (i) the New York Business Day immediately preceding the Expiration Date and (ii) the Delisting Date, by causing (x) such Warrants to be transferred free to the Warrant Agent on the records of DTC and (y) a duly completed and executed Exercise Notice to be delivered by a Participant on behalf of the Warrantholder to the Warrant Agent. Forms of Exercise Notice for Warrants held through the facilities of DTC may be obtained from the Warrant



Agent at the Warrant Agent's Office. The Warrant Agent's telephone number and facsimile transmission number for this purpose are (201) 262-5444 and (201) 262-7521, respectively.

In the case of book-entry Warrants held through the facilities of CEDEL or Euroclear, a Warrantholder may exercise such Warrants on any New York Business Day during the period from the date of issuance of such Warrants until 3:00 P.M., New York City time, on the earlier of (i) the New York Business Day immediately preceding the Expiration Date and (ii) the Delisting Date by causing (x) such Warrants to be transferred to the Warrant Agent, by giving appropriate instructions to the participant holding such Warrants in either the CEDEL or Euroclear system, as the case may be, and (y) a duly completed and executed Exercise Notice to be delivered on behalf of the Warrantholder by CEDEL, in the case of Warrants held through CEDEL, or such participant, in the case of Warrants held through Euroclear, to the Warrant Agent. Forms of Exercise Notice for Warrants held through the facilities of either CEDEL or Euroclear may be obtained from the Warrant Agent at the Warrant Agent's Office or from CEDEL or Euroclear.

Except for Warrants subject to automatic exercise or held through the facilities of CEDEL or Euroclear, and subject to the Limit Option, the "Exercise Date" for a Warrant will be (i) the New York Business Day on which the Warrant Agent receives the Warrant and Exercise Notice in proper form with respect to such Warrant, if received at or prior to 3:00 P.M., New York City time, on such day, or (ii) if the Warrant Agent receives such Warrant and Exercise Notice after 3:00 P.M., New York City time, on a New York Business Day, then the New York Business Day next succeeding such New York Business Day.

In the case of Warrants held through the facilities of CEDEL or Euroclear, except for Warrants subject to automatic exercise, and subject to the Limit Option, the "Exercise Date" for a Warrant will be (i) the New York Business Day on which the Warrant Agent receives the Exercise Notice in proper form with respect to such Warrant if such Exercise Notice is received at or prior to 3:00 P.M., New York City time, on such day, provided, that the Warrant is received by the Warrant Agent by 3:00 P.M., New York City time, on the Valuation Date, or (ii) if the Warrant Agent receives such Exercise Notice after 3:00 P.M., New York City time, on a New York Business Day, then the New York Business Day succeeding such New York Business Day, provided, that the Warrant is received by 3:00 P.M., New York City time, on the Valuation Date relating to exercises of Warrants on such succeeding New York Business Day. In the event that the Warrant is received after 3:00 P.M., New York City time, on the Valuation Date, then the Exercise Date for such Warrants will be the day on which such Warrants are received or, if such day is not a New York Business Day, the next succeeding New York Business Day. In the case of Warrants held through the facilities of CEDEL or Euroclear, in order to ensure proper exercise on a given New York Business Day, participants in CEDEL or Euroclear must submit exercise instructions to CEDEL or Euroclear, as the case may be, by 10:00 A.M., Luxembourg time, in the case of CEDEL and by 10:00 A.M., Brussels time (by telex), or 11:00 A.M., Brussels time (by EUCLID), in the case of Euroclear. In addition, in the case of book-entry exercises by means of the Euroclear System, (i) participants must also transmit, by facsimile (facsimile number 201-262-7521), to the Warrant Agent a copy of the Exercise Notice submitted to Euroclear by 3:00 P.M.,

S-19

20

New York City time, on the desired Exercise Date and (ii) Euroclear must confirm by telex to the Warrant Agent by 9:00 A.M., New York City time, on the Valuation Date that the Warrants will be received by the Warrant Agent on such date; provided, that if such telex communication is received after 9:00 A.M., New York City time, on the Valuation Date, the Company will be entitled to direct the Warrant Agent to reject the related Exercise Notice or waive the requirement for timely delivery of such telex communication.

To ensure that an Exercise Notice and the related Warrants will be

delivered to the Warrant Agent before 3:00 P.M., New York City time, on a given New York Business Day, a Warranholder may need to give exercise instructions to his broker or other intermediary substantially earlier than 3:00 P.M., New York City time, on such day. Different brokerage firms may have different cut-off times for accepting and implementing exercise instructions from their customers. Therefore, Warranholders should consult with their brokers and other intermediaries, if applicable, as to applicable cut-off times and other exercise mechanics. See "Certain Important Information Concerning the Warrants" above.

Except in the case of Warrants subject to automatic exercise and for Warrants that upon exercise will entitle the holder thereof to receive an Alternative Settlement Amount in lieu of the Cash Settlement Amount, if on any Valuation Date the Cash Settlement Amount for any Warrants would be zero, then the attempted exercise of any such Warrants will be void and of no effect and, in the case of certificated Warrants, the Warrant Certificate evidencing such Warrants will be returned to the registered holder by first class mail at the Company's expense or, in the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, such Warrants will be transferred back to the participant (including the Depositories) that submitted them free on the records of DTC, CEDEL or Euroclear, as the case may be, and, in any such case, such Warranholder will be permitted to re-exercise such Warrants prior to the Expiration Date or the Delisting Date, as the case may be.

The "Valuation Date" for a Warrant will be the first Index Calculation Day following the applicable Exercise Date, subject to postponement upon the occurrence of an Extraordinary Event or an Exercise Limitation Event as described below under "-- Extraordinary Events and Exercise Limitation Events" or as a result of the exercise of a number of Warrants exceeding the limits on exercise described below under "-- Maximum Exercise Amount". The AMEX will calculate the AMEX Hong Kong 30 Index once on each Index Calculation Day based upon the most recent official closing prices of each of the Underlying Stocks as reported by the HKSE. Due to time differences, trading on the HKSE occurs when the AMEX is closed for business. The following is an illustration of the timing of an Exercise Date, the ensuing Valuation Date and the Limit Option Reference Index (as hereinafter defined), assuming (i) that all relevant dates are New York Business Days and Index Calculation Days, (ii) the absence of any intervening Extraordinary Event or Exercise Limitation Event and (iii) the number of exercised Warrants does not exceed the maximum permissible amount. If the Warrant Agent receives a Warranholder's Warrants and Exercise Notice in proper form at or prior to 3:00 P.M., New York City time, on Wednesday, June 1, 1994, the Exercise Date for such Warrants will be June 1 and the Valuation Date for such Warrants will be Thursday, June 2, 1994 (except that in the case of Warrants held through the facilities of CEDEL or Euroclear, the Warrants must be received by 3:00 P.M., New York City time, on the Valuation Date; if such Warrants are received after such time, then the Exercise Date for such Warrants will be the day on which such Warrants are received or, if such day is not a New York Business Day, the next succeeding New York Business Day, and the Valuation Date for such Warrants will be the first Index Calculation Day following such Exercise Date and the Limit Option Reference Index will be determined by reference to such Exercise Date and Valuation Date). The Spot AMEX Hong Kong 30 Index used to determine the Cash Settlement Value of such Warrants will be the closing level of the AMEX Hong Kong 30 Index on June 2 (i.e., the level of the AMEX Hong Kong 30 Index calculated using values for the Underlying Stocks as of the close of the HKSE on June 2 (assuming such day is a Hong Kong Business Day), which, because of time differences, will occur at 2:30 A.M., New York City time, on June 2 (or 3:30 A.M., New York City time, during the months in which Eastern Daylight Savings Time is in effect)). If the Warranholder elected the Limit Option in connection with the exercise of such Warrants, the Limit Option Reference Index would be the closing level of the AMEX Hong Kong 30 Index on June 1. If the Warrant Agent were to receive such Warranholder's Warrants and Exercise Notice after 3:00 P.M., New York City time, on June 1, 1994 (except that in the case of Warrants held through the



facilities of CEDEL or Euroclear, the Warrants must be received by 3:00 P.M., New York City time, on June 2), then the Exercise Date for such Warrants would instead be June 2, the Valuation Date would be June 3 and the applicable Limit Option Reference Index would be the closing level of the AMEX Hong Kong 30 Index on June 2 (which will not have occurred at the time such Warrantholder tendered his Exercise Notice on June 1).

Following receipt of Warrants and the related Exercise Notice in proper form, the Warrant Agent will, not later than 5:00 P.M., New York City time, on the applicable Valuation Date (or, if such Valuation Date is not a New York Business Day, on the next succeeding New York Business Day) (i) obtain the Spot AMEX Hong Kong 30 Index (which will be the level of the AMEX Hong Kong 30 Index on such Valuation Date), (ii) determine the Cash Settlement Value of such Warrants and (iii) advise the Company of the aggregate Cash Settlement Value of the exercised Warrants. Except in the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, if the Company has made adequate funds available to the Warrant Agent in a timely manner as required by the Warrant Agreement, the Warrant Agent will thereafter be responsible for making payment available to each registered holder of a Warrant on the fifth New York Business Day following the Valuation Date (or, if the Valuation Date is not a New York Business Day, on the fifth New York Business Day following the New York Business Day next succeeding the Valuation Date) in the form of a cashier's check or official bank check or (in the case of payments of at least U.S.\$100,000) by wire transfer to a U.S. dollar bank account maintained by such holder in the United States (at such holder's election as specified in the applicable Exercise Notice), in an amount equal to the aggregate Cash Settlement Value of such holder's exercised Warrants. In the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, the Company will be required to make available to the Warrant Agent, no later than 3:00 P.M, New York City time, on the sixth New York Business Day following the Valuation Date (or, if the Valuation Date is not a New York Business Day, on the sixth New York Business Day following the New York Business Day next succeeding the Valuation Date), funds in an amount sufficient to pay such aggregate Cash Settlement Value. If the Company has made such funds available by such time, the Warrant Agent will thereafter be responsible for making funds available to each appropriate Participant (including Citibank and Morgan, who, in turn, will disburse payments to CEDEL and Euroclear, as the case may be, who will be responsible for disbursing such payments to each of their respective participants, who, in turn, will be responsible for disbursing payments to the Warrantholders it represents), and such Participant will be responsible for disbursing such payments to the Warrantholders it represents and to each brokerage firm for which it acts as agent. Each such brokerage firm will be responsible for disbursing funds to the Warrantholders it represents.

"Determination Agent" means PaineWebber or, in lieu thereof, another firm selected by the Company to perform the functions of the Determination Agent in connection with the Warrants. PaineWebber, in its capacity as Determination Agent, will have no obligation to take the interests of the Company or the Warrantholders into consideration in the event it determines, composes or calculates the Cash Settlement Value. PaineWebber and its affiliates may from time to time engage in transactions involving the Underlying Stocks for their proprietary accounts and for other accounts under their management, which may influence the value of such Underlying Stocks. PaineWebber and its affiliates will also be the writers of the hedge of the Company's obligations under the Warrants and will be obligated to pay to the Company upon exercise of the Warrants an amount equal to the value of the Warrants. Accordingly, under certain circumstances, conflicts of interest may arise between PaineWebber's responsibilities as Determination Agent with respect to the Warrants and its obligations under its hedge. In addition, because PaineWebber is an affiliate of the Company, certain conflicts of interest may arise in connection with PaineWebber performing its role as Determination Agent. PaineWebber, as a registered broker-dealer, is required to maintain policies and procedures regarding the handling and use of confidential proprietary information, and such policies and procedures will be in effect throughout the term of the Warrants to

restrict the use of information relating to any calculation of the Cash Settlement Value prior to its dissemination. PaineWebber is also obligated to carry out its duties and functions as Determination Agent in good faith and using its reasonable judgment.

S-21

22

#### MINIMUM EXERCISE AMOUNT

No fewer than 500 Warrants may be exercised by a Warrantholder at any one time, except in the case of automatic exercise or exercise upon cancellation of the Warrants as described under "-- Extraordinary Events and Exercise Limitation Events" below. Accordingly, except in the case of automatic exercise of the Warrants or upon cancellation of the Warrants, Warrantholders with fewer than 500 Warrants will need either to sell their Warrants or to purchase additional Warrants, thereby incurring transaction costs, in order to realize upon their investment. Warrantholders must satisfy the minimum exercise amount requirement described above separately with respect to both certificated and book-entry Warrants, even if both kinds of Warrants are to be exercised at the same time. Thus, a Warrantholder seeking to exercise both certificated and book-entry Warrants at the same time must still exercise a minimum of 500 of each kind of Warrant in order to satisfy such requirement. In addition, book-entry Warrants held through one Participant (including participants in CEDEL or Euroclear) may not be combined with book-entry Warrants held through another Participant in order to satisfy the minimum exercise requirement.

#### MAXIMUM EXERCISE AMOUNT

All exercises of Warrants (other than on the Expiration Date or the Delisting Date or upon cancellation of the Warrants as described under "-- Extraordinary Events and Exercise Limitation Events" herein) are subject, at the Company's option, to the limitation that not more than 1,000,000 Warrants in total may be exercised on any Exercise Date and not more than 250,000 Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any other person or entity, on any Exercise Date. If any New York Business Day would otherwise, under the terms of the Warrant Agreement, be the Exercise Date in respect of more than 1,000,000 Warrants, then at the Company's election 1,000,000 of such Warrants shall be deemed exercised on such Exercise Date (selected by the Warrant Agent on a pro rata basis, but if, as a result of such pro rata selection, any registered holders of Warrants would be deemed to have exercised fewer than 500 Warrants, then the Warrant Agent shall first select additional of such holders' Warrants so that no holder shall be deemed to have exercised fewer than 500 Warrants), and the remainder of such Warrants (the "Remaining Warrants") shall be deemed exercised on the following New York Business Day (subject to successive applications of this provision); provided, that any Remaining Warrant for which an Exercise Notice was delivered on a given Exercise Date shall be deemed exercised before any other Warrants for which an Exercise Notice was delivered on a later Exercise Date. If any individual Warrantholder attempts to exercise more than 250,000 Warrants on any New York Business Day, then at the Company's election 250,000 of such Warrants shall be deemed exercised on such New York Business Day and the remainder shall be deemed exercised on the following New York Business Day (subject to successive applications of this provision). As a result of any such postponed exercise, Warrantholders will receive a Cash Settlement Value determined as of a date later than the otherwise applicable Valuation Date. In any such case, as a result of any such postponement, the Cash Settlement Value actually received by Warrantholders may be lower than the otherwise applicable Cash Settlement Value if the Valuation Date of the Warrants had not been postponed.

#### LIMIT OPTION

Except for Warrants subject to automatic exercise and except as described below with respect to payments of any Alternative Settlement Amount, each Warrantholder, in connection with any exercise of Warrants (including a

postponed exercise following an Extraordinary Event or an Exercise Limitation Event), will have the option (the "Limit Option") to specify that such Warrants are not to be exercised if the Spot AMEX Hong Kong 30 Index that would otherwise be used to determine the Cash Settlement Value of such Warrants is 20 or more points lower than the closing level of the AMEX Hong Kong 30 Index for the day specified below (such closing level, the "Limit Option Reference Index"). A Warrantholder's election of the Limit Option must be specified in the applicable Exercise Notice delivered to the Warrant Agent. The Limit Option Reference Index will be the closing level of the AMEX Hong Kong 30 Index on the relevant Exercise Date (or, if such date is not an Index Calculation Day, on the immediately preceding Index Calculation Day). If an Exercise Notice and the related Warrants are received after 3:00 P.M., New York City time, on a given day, the applicable Limit Option Reference Index will be determined as of the next day that is also a New

S-22

23

York Business Day (or, if such day is not an Index Calculation Day, as of the immediately preceding Index Calculation Day).

To ensure that the Limit Option will have its intended effect of limiting the risk of any downward movement in the level of the AMEX Hong Kong 30 Index between the date on which a Warrantholder submits an Exercise Notice and the related Valuation Date, such Exercise Notice and the related Warrants generally must be received by the Warrant Agent not later than 3:00 P.M., New York City time, on the New York Business Day on which it is submitted and the Exercise Date must also be an Index Calculation Day. See the illustration under "-- Exercise and Settlement of Warrants" above and "Certain Important Information Concerning the Warrants" herein.

Following receipt of an Exercise Notice and the related Warrants subject to the Limit Option, the Warrant Agent will obtain the applicable Limit Option Reference Index and will determine whether such Warrants will not be exercised because of the Limit Option. Warrants that are not exercised will be treated as not having been tendered for exercise, and either the Warrant Certificate evidencing such Warrants will be returned to the registered holder by first-class mail at the Company's expense or, in the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, such Warrants will be transferred to the account at DTC, CEDEL or Euroclear, as the case may be, from which they were transferred to the Warrant Agent. To exercise such Warrants, a Warrantholder will be required to cause the Warrants and a related Exercise Notice to be submitted again to the Warrant Agent.

Once elected by a Warrantholder in connection with an exercise of Warrants, the Limit Option will continue to apply, on the basis of the Limit Option Reference Index as initially determined for such Warrants, even if the Valuation Date for such Warrants is postponed, except when such Valuation Date is postponed until the Expiration Date, the Delisting Date or the Cancellation Date (as hereinafter defined) as described under "-- Extraordinary Events and Exercise Limitation Events" below. Pursuant to the Limit Option, such Warrants will either (i) be exercised on a delayed basis if the applicable Spot AMEX Hong Kong 30 Index on the postponed Valuation Date is not less than the Limit Option Reference Index by 20 or more points or (ii) be excluded from being exercised if, on any applicable postponed Valuation Date, the applicable Spot AMEX Hong Kong 30 Index is less than the Limit Option Reference Index by 20 or more points.

In connection with any exercise of 500 or more Warrants, a Warrantholder may elect to subject the exercise of only a portion of such Warrants to the Limit Option, provided that the number of Warrants subject to the Limit Option and the number of Warrants not subject to the Limit Option shall in each case not be less than 500. A Warrantholder may not combine certificated and book-entry Warrants in order to meet the 500-Warrant minimum requirement. See "-- Minimum Exercise Amount" herein.

## AUTOMATIC EXERCISE

All Warrants for which the Warrant Agent has not received a valid Exercise Notice at or prior to 3:00 P.M., New York City time, on (i) the New York Business Day immediately preceding the Expiration Date or (ii) the Delisting Date, as the case may be, or for which the Warrant Agent has received a valid Exercise Notice but with respect to which timely delivery of the relevant Warrants has not been made, together with any Warrants the Valuation Date for which has at such time been postponed as described under "-- Extraordinary Events and Exercise Limitation Events" below, will be automatically exercised on such date. The Exercise Date for such Warrants will be the Expiration Date or the Delisting Date, as the case may be, or, if such date is not a New York Business Day, the next succeeding New York Business Day. The Warrant Agent will obtain the Spot AMEX Hong Kong 30 Index (determined as of the first Index Calculation Day following such date, which will be the Valuation Date for such Warrants, except in the case of a postponed exercise following the occurrence of an Extraordinary Event or an Exercise Limitation Event as described under "-- Extraordinary Events and Exercise Limitation Events" below), and will determine the Cash Settlement Value, if any, of such Warrants.

Except in the case of a postponed exercise following the occurrence of an Extraordinary Event or an Exercise Limitation Event as described under "-- Extraordinary Events and Exercise Limitation Events" below, or in the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, if the Company

S-23

24

has made adequate funds available to the Warrant Agent in a timely manner as required by the Warrant Agreement, the Warrant Agent will thereafter be responsible for making a payment available to each registered holder of a Warrant in the form of a cashier's check or official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar account maintained by such holder in the United States (at such holder's election) after 3:00 P.M., New York City time, on the fourth New York Business Day after such Valuation Date (or, if such Valuation Date is not a New York Business Day, on the fourth New York Business Day following the New York Business Day next succeeding such Valuation Date) against receipt by the Warrant Agent at the Warrant Agent's Office of such holder's Warrant Certificates. Such payment will be in an amount equal to the aggregate Cash Settlement Value of the Warrants evidenced by such Warrant Certificates.

In the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, and, except in the case of a postponed exercise following the occurrence of an Extraordinary Event or an Exercise Limitation Event as described under "Extraordinary Events and Exercise Limitation Events" below, the Company will be required to make available to the Warrant Agent, no later than 3:00 P.M., New York City time, on the fourth New York Business Day after such Valuation Date (or, if such Valuation Date is not a New York Business Day, on the fourth New York Business Day following the New York Business Day next succeeding such Valuation Date), funds in an amount sufficient to pay such aggregate Cash Settlement Value. If the Company has made such funds available by such time, the Warrant Agent will thereafter be responsible for making funds available to DTC in an amount sufficient to pay the aggregate Cash Settlement Value of the Warrants. DTC will be responsible for disbursing such funds to each appropriate Participant (including Citibank and Morgan, who, in turn, will disburse payments to CEDEL and Euroclear, as the case may be, who will be responsible for disbursing such payments to each of their respective participants, who, in turn, will be responsible for disbursing payments to the Warranholders it represents) and such Participant will be responsible for disbursing such payments to the Warranholders it represents and to each brokerage firm for which it acts as agent. Each such brokerage firm will be responsible for disbursing funds to the Warranholders it represents.

Extraordinary Events. The Warrant Agreement will provide that if the Company determines that an Extraordinary Event has occurred and is continuing on the Hong Kong Business Day with respect to which the Spot AMEX Hong Kong 30 Index on a Valuation Date is to be determined (the "Applicable Hong Kong Business Day"), then the Cash Settlement Value in respect of an exercise shall be calculated on the basis that the Valuation Date shall be the next Index Calculation Day following an Applicable Hong Kong Business Day on which there is no Extraordinary Event or Exercise Limitation Event; provided that if the Valuation Date has not occurred on or prior to the Expiration Date or the Delisting Date, the Warrantheolders will receive the Alternative Settlement Amount in lieu of the Cash Settlement Value which shall be calculated as if the Warrants had been cancelled on the Expiration Date or the Delisting Date, as the case may be. The Company shall promptly give notice to Warrantheolders, by publication in a United States newspaper with a national circulation (currently expected to be The Wall Street Journal), if an Extraordinary Event shall have occurred.

"Extraordinary Event" means any of the following events:

(i) a suspension or absence of trading on the HKSE of all the Underlying Stocks which then comprise the AMEX Hong Kong 30 Index or a Successor Index;

(ii) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or any other U.S. or non-U.S. governmental authority which would make it unlawful for the Company to perform any of its obligations under the Warrant Agreement or the Warrants; or

(iii) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities which in the opinion of the Company may materially and adversely affect the economy of Hong Kong or the trading of securities generally on the HKSE) which has or will have a material adverse effect on the ability of the Company to perform its obligations under the Warrants or to modify the hedge of its position with respect to the AMEX Hong Kong 30 Index.

S-24

25

For the purpose of determining whether an Extraordinary Event has occurred: (1) a limitation on the hours or number of days of trading will not constitute an Extraordinary Event if it results from an announced change in the regular business hours of the HKSE and (2) an "absence of trading" on the HKSE will not include any time when the HKSE itself is closed for trading under ordinary circumstances.

To the Company's knowledge no circumstances have arisen since the inception of the AMEX Hong Kong 30 Index that could have constituted an Extraordinary Event, except that on July 22, 1992 and on September 17, 1993 trading on the HKSE and The Hong Kong Futures Exchange Ltd. (the "HK Futures Exchange") was suspended due to typhoons (severe storms) in Hong Kong (the "Typhoon Suspensions"). Prior to the inception of the AMEX Hong Kong 30 Index, and based on the information published by the HKSE, trading on the HKSE was suspended during the time of other world market breaks from October 20 through October 23, 1987. Trading in Hang Seng Index Futures on the HK Futures Exchange also was suspended during the same four-day period (collectively, the "October 1987 Suspension"). The existence of such circumstances, however, is not necessarily indicative of the likelihood of such circumstances arising or not arising in the future. See "The AMEX Hong Kong 30 Index -- The HKSE" below.

If the Company determines that an Extraordinary Event has occurred and is

continuing, and if the Extraordinary Event is expected by the Company to continue, the Company may immediately cancel the Warrants by notifying the Warrant Agent of such cancellation (the date such notice is given being the "Cancellation Date"), and each Warrantholder's rights under the Warrants and the Warrant Agreement shall thereupon cease; provided that each Warrant shall be exercised (even if such Warrant would not otherwise be exercisable on such date because of the Limit Option) on the basis that the Valuation Date for such Warrant shall be the Cancellation Date and the holder of each such Warrant will receive, in lieu of the Cash Settlement Value of such Warrant, an amount (the "Alternative Settlement Amount"), determined by the Determination Agent, which is equal to the amount "X" calculated using the formula set forth below:

<TABLE>  
 <S>

	<C>	<C>	<C>	<C>	<C>	<C>
		T	X	A	-	B
		2				

X = I + [    ]

</TABLE>

where

I = the Cash Settlement Value of the Warrants determined as described under "-- Cash Settlement Value" above, but calculated with a Spot AMEX Hong Kong 30 Index determined by the Determination Agent which, subject to approval by the Company (such approval not to be unreasonably withheld), in the reasonable opinion of the Determination Agent, fairly reflects the value of the Underlying Stocks on the Cancellation Date;

T = U.S.\$           , the initial offering price per Warrant;

A = the total number of days from but excluding the Cancellation Date for such Warrants to and including the Expiration Date; and

B = the total number of days from but excluding the date the Warrants were initially sold to and including the Expiration Date.

For the purposes of determining "I" in the above formula, in the event that the Determination Agent and the Company are required, but have not, after good faith consultation with each other and within five days following the first day upon which such Alternative Settlement Amount may be calculated in accordance with the above formula, agreed upon a Spot AMEX Hong Kong 30 Index which fairly reflects the value of the Underlying Stocks on the Cancellation Date, then the Determination Agent shall promptly nominate a third party, subject to approval by the Company (such approval not to be unreasonably withheld), to determine such figure and calculate the Alternative Settlement Amount in accordance with the above formula. Such party shall act as an independent expert and not as an agent of the Company or the Determination Agent, and its calculation and determination of the Alternative Settlement Amount shall, absent manifest error, be final and binding on the Company, the Warrant Agent, the Determination Agent and the Warrantholders. Any such calculations will be made available to a Warrantholder for inspection at the Warrant Agent's Office.

S-25

26

Neither the Company nor such third party shall have any responsibility for good faith errors or omissions in calculating the Alternative Settlement Amount.

Exercise Limitation Events. The Warrant Agreement will provide that if the Company determines that on an Applicable Hong Kong Business Day an Exercise Limitation Event has occurred and is continuing, then the Cash Settlement Value in respect of an exercise shall be calculated on the basis that the Valuation Date shall be the next Index Calculation Day following an Applicable Hong Kong Business Day on which there is no Exercise Limitation Event or Extraordinary Event; provided that, if the Valuation Date has not occurred on or prior to the



Expiration Date or the Delisting Date, the Warrantholders will receive the Alternative Settlement Amount in lieu of the Cash Settlement Value, which shall be calculated as if the Warrants had been cancelled on the Expiration Date or the Delisting Date, as the case may be. The Company shall promptly give notice to Warrantholders, by publication in a United States newspaper with a national circulation (currently expected to be The Wall Street Journal), if an Exercise Limitation Event shall have occurred.

"Exercise Limitation Event" means either of the following events:

(i) a suspension or absence of trading on the HKSE of (a) 20% or more of the Underlying Stocks which then comprise the AMEX Hong Kong 30 Index or a Successor Index, and/or (b) the stocks of any three of the four most highly capitalized companies included in the Underlying Stocks which then comprise the AMEX Hong Kong 30 Index or a Successor Index; or

(ii) the suspension or material limitation on the HK Futures Exchange or any other major futures or securities market (which as of the date of this Prospectus Supplement includes only the HK Futures Exchange, but which in the Company's judgment may change in the future) of trading in futures or options contracts related to the Hang Seng Index (for a brief description of the Hang Seng Index, see "The AMEX Hong Kong 30 Index -- The HKSE" herein), the AMEX Hong Kong 30 Index or a Successor Index.

For purposes of determining whether an Exercise Limitation Event has occurred: (1) a limitation on the hours or number of days of trading will not constitute an Exercise Limitation Event if it results from an announced change in the regular business hours of the relevant exchange, (2) a decision to permanently discontinue trading in the relevant contract will not constitute an Exercise Limitation Event, (3) a suspension in trading in a futures or options contract on the Hang Seng Index, the AMEX Hong Kong 30 Index or a Successor Index by the HK Futures Exchange or other major futures or securities market (which as of the date of this Prospectus Supplement includes only the HK Futures Exchange, but which in the Company's judgment may change in the future) by reason of (x) a price change violating limits set by the HK Futures Exchange or such futures or securities market, (y) an imbalance of orders relating to such contracts or (z) a disparity in bid and ask quotes relating to such contracts will constitute a suspension or material limitation of trading in futures or options contracts related to the Hang Seng Index, the AMEX Hong Kong 30 Index or such Successor Index, (4) an "absence of trading" on the HK Futures Exchange or a major futures or securities market on which futures or options contracts relating to the Hang Seng Index, the AMEX Hong Kong 30 Index or a Successor Index are traded will not include any time when the HK Futures Exchange or such futures or securities market, as the case may be, itself is closed for trading under ordinary circumstances and (5) the occurrence of an Extraordinary Event described in clause (i) of the definition of Extraordinary Event will not constitute, and will supersede the occurrence of, an Exercise Limitation Event.

Based on information provided to the Company by HKSE and the HK Futures Exchange, it is the Company's understanding that during the past six years there have been no suspensions of trading on the HKSE and no suspensions of trading on the HK Futures Exchange under circumstances that could have constituted an Exercise Limitation Event, except for the Typhoon Suspensions and the October 1987 Suspension. The lack of such suspensions over the period indicated is not necessarily indicative of the number or frequency of any future suspensions. See "The AMEX Hong Kong 30 Index -- The HKSE" below.

In the case of a postponed Valuation Date resulting from an Extraordinary Event or an Exercise Limitation Event, if the Company has made adequate funds available to the Warrant Agent by 3:00 P.M., New York City time, on the third New York Business Day following the date on which the Cash Settlement

Value or Alternative Settlement Amount, as the case may be, has been calculated, the Warrant Agent will thereafter be responsible for making payment available to each registered holder who holds Warrants in certificated form in the form of a cashier's check or official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar bank account maintained by such holder in the United States (at such holder's election), in an amount equal to the aggregate Cash Settlement Value or Alternative Settlement Amount, as applicable, of such holder's exercised Warrants. In the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, if the Company has made such funds available by such time as noted above, the Warrant Agent will thereafter be responsible for making funds available to DTC in an amount sufficient to pay the Cash Settlement Value or Alternative Settlement Amount of the Warrants. DTC will be responsible for disbursing such funds to each appropriate Participant (including Citibank and Morgan who in turn will disburse payments to CEDEL and Euroclear, as the case may be, who will be responsible for disbursing such payments to their respective participants who, in turn, will be responsible for disbursing such payments to the Warrantholders it represents) and such Participant will be responsible for disbursing such payments to the Warrantholders it represents and to each brokerage firm for which it acts as agent. Each such brokerage firm will be responsible for disbursing funds to the Warrantholders it represents.

Certain of the Extraordinary Events and Exercise Limitation Events may be events that would tend to decrease the level of the AMEX Hong Kong 30 Index and accordingly decrease the Cash Settlement Value for the Warrants following the occurrence of any such Extraordinary Event or Exercise Limitation Event. However, as a result of any postponed exercise as described above, Warrantholders would not receive such Cash Settlement Value, but would receive instead a Cash Settlement Value (or, if applicable, an Alternative Settlement Amount) determined as of a later date. In any such case, any immediate impact of the related Extraordinary Event or Exercise Limitation Event on the AMEX Hong Kong 30 Index may have been negated by interim market and other developments and, as a result of any such postponement, the Cash Settlement Value (or Alternative Settlement Amount) actually received by Warrantholders may be substantially lower (including zero) than the otherwise applicable Cash Settlement Value if the valuation of the Warrants had not been postponed.

#### LISTING

Application has been made to list the Warrants on the AMEX. The AMEX symbol for the Warrants is HCW.WS. The AMEX expects to cease trading the Warrants on such Exchange as of the close of business on the Expiration Date.

#### DELISTING OF WARRANTS

In the event that the Warrants are delisted from, or permanently suspended from trading (within the meaning of the Securities Exchange Act of 1934 and the rules and regulations thereunder) on, the AMEX, and not accepted at the same time for listing on another United States national securities exchange, Warrants not previously exercised will be deemed automatically exercised on the last New York Business Day prior to the effective date of such delisting or trading suspension (the "Delisting Date") and the Cash Settlement Value, if any, shall be calculated and settled as provided above under "-- Automatic Exercise." The Company will notify Warrantholders as soon as practicable of such delisting or trading suspension. However, if the Company first receives notice of the delisting or suspension on the same day on which the Warrants are delisted or suspended, such day will nevertheless be deemed to be the Delisting Date. The Company will covenant in the Warrant Agreement that it will not seek delisting of the Warrants from, or suspension of their trading on, the AMEX unless the Company has, at the same time, arranged for listing of the Warrants on another United States national securities exchange.

#### THE AMEX HONG KONG 30 INDEX

Unless otherwise stated, all information herein on the AMEX Hong Kong 30 Index is derived from the AMEX or other publicly available sources. Such



information reflects the policies of the AMEX as stated in such sources and such policies are subject to change by the AMEX.

S-27

28

The AMEX Hong Kong 30 Index is a new capitalization-weighted stock index designed, developed, maintained and operated by, and is a service mark of, the AMEX that measures the market value performance (share price times the number of shares outstanding) of selected HKSE listed stocks. The AMEX Hong Kong 30 Index currently is based on the capitalization of 30 Underlying Stocks trading on the HKSE and is designed to represent a substantial segment of the Hong Kong stock market. The HKSE is the primary trading market for [25] of the 30 Underlying Stocks. The primary trading market for all of the Underlying Stocks is either Hong Kong or London. Business sector representation of the Underlying Stocks comprising the AMEX Hong Kong 30 Index as of January , 1994 was as follows: [(1) property development (25.22%); (2) utilities (22.64%); (3) conglomerates (19.97%); (4) finance (19.05%); (5) hotel/leisure (4.67%); (6) property investment (4.17%); (7) airlines (2.33%); (8) food retailing (1.65%); and (9) luxury retailing (0.30 %)]. The AMEX Hong Kong 30 Index was established on June 25, 1993. (See Appendix A hereto for a list of the Underlying Stocks as of January , 1994.) As of January , 1994, the five largest Underlying Stocks accounted for approximately 42.86% of the market capitalization of the AMEX Hong Kong 30 Index, with the largest being Hong Kong Telecommunications, Ltd. (11.93%), followed by HSBC Holdings plc (10.03%), Hang Seng Bank Ltd. (7.60%), Hutchison Whampoa Ltd. (6.74%) and Sun Hung Kai Properties Ltd. (6.57%). The lowest weighted Underlying Stock, as of January , 1994, was Dickson Concepts (International) Ltd. (0.30%).]

The AMEX Hong Kong 30 Index will be maintained by the AMEX and will contain at least 30 Underlying Stocks at all times. In addition, the Underlying Stocks must meet certain listing and maintenance standards as discussed below. The AMEX may change the composition of the AMEX Hong Kong 30 Index at any time in order to more accurately reflect the composition and track the movement of the Hong Kong stock market. Any replacement Underlying Stock must also meet the Underlying Stock listing and maintenance standards as discussed below. Further, the AMEX may replace Underlying Stocks in the event of certain corporate events, such as takeovers, or mergers, that change the nature of the security.

The AMEX will select Underlying Stocks on the basis of their market weight, trading liquidity, and representation of the business industries reflected on the HKSE. The AMEX will require that each Underlying Stock be one issued by an entity with major business interests in Hong Kong, listed for trading on the HKSE, and have its primary trading market located in a country that the AMEX has an effective surveillance sharing agreement with. The AMEX will remove any Underlying Stock failing to meet the above listing and maintenance criteria within 30 days after such failure occurs. In order to ensure that the AMEX Hong Kong 30 Index does not contain a large number of thinly-capitalized, low-priced securities with small public floats and low trading volumes, the AMEX has also established additional qualification criteria for the inclusion and maintenance of Underlying Stocks, based on the following standards: (1) all Underlying Stocks selected for inclusion in the AMEX Hong Kong 30 Index must have, and thereafter maintain, an average daily capitalization, as calculated by the total number of shares outstanding times the latest price per share (in Hong Kong dollars), measured over the prior 6-month period, of at least H.K.\$3,000,000,000 (approximately U.S.\$ on the date hereof); (2) all Underlying Stocks selected for inclusion in the AMEX Hong Kong 30 Index must have, and thereafter maintain, an average daily closing price, measured over the prior 6-month period, not lower than H.K.\$2.50 (approximately U.S.\$ on the date hereof); (3) all Underlying Stocks selected for inclusion in the AMEX Hong Kong 30 Index must have, and thereafter maintain, an average daily trading volume, measured over the prior 6-month period, of more than 1,000,000 shares per day, although up to, but no more than, three Underlying Stocks may have an average daily trading volume, measured over the prior 6-month period, of less than 1,000,000 shares per day, but in no event less than 500,000 shares per day; and (4) all

Underlying Stocks selected for inclusion in the AMEX Hong Kong 30 Index must have, and thereafter maintain, a minimum "free float" value (total freely tradeable outstanding shares minus insider holdings), based on a monthly average measured over the prior 3-month period, of U.S.\$238,000,000, although up to, but no more than, three Underlying Stocks may have a free float value of less than U.S.\$238,000,000 but in no event less than U.S.\$150,000,000, measured over the same period. The AMEX will review and apply the above qualification criteria relating to the Underlying Stocks on a quarterly basis, conducted the last business day in January, April, July, and October (beginning January 1994). Any Underlying Stock failing to meet the above listing and maintenance criteria will be reviewed on the second Friday of the second month following the quarterly review to again determine compliance with the above

S-28

29

criteria. Any Underlying Stock failing this second review will be replaced by a "qualified" Underlying Stock effective upon the close of business on the following Friday provided, however, that if such Friday is not a New York Business Day, the replacement will be effective at the close of business on the first preceding New York Business Day. For example, if an Underlying Stock was found to be below the maintenance criteria on Monday, January 31, 1994, it would be reviewed again on March 11 and, if ineligible, would be replaced by a qualified security at the close of business on March 18, 1994. If March 18 happened not to be a New York Business Day, the replacement would be effective at the close of business on the preceding Thursday, March 17, 1994, assuming that Thursday was a New York Business Day. The AMEX will notify its membership immediately after it determines to replace an Underlying Stock.

The annual reports and prospectuses of the companies listed on the HKSE are available for investors' inspection in the City Hall Library (a public library in Hong Kong, Central). The HKSE library also has information for each listed company but it is available only to members of the HKSE.

A company whose stock is included in the AMEX Hong Kong 30 Index is not required to be incorporated under the laws of Hong Kong. As of the date of this Prospectus Supplement eight of the thirty companies whose stocks comprise the Underlying Stocks are not incorporated in Hong Kong. They are (country of incorporation shown within parentheses): Dairy Farm International Holdings Ltd. (Bermuda), Dickson Concepts (International) Ltd. (Bermuda), Great Eagle Holdings Ltd. (Bermuda), Hong Kong Land Holdings Ltd. (Bermuda), HSBC Holdings plc (England), Jardine Matheson Holdings Ltd. (Bermuda), Jardine Strategic Holdings Ltd. (Bermuda) and Tai Cheung Holdings Ltd. (Bermuda).

The AMEX Hong Kong 30 Index is a capitalization-weighted index. A company's market capitalization is calculated by multiplying the number of shares outstanding by the company's current share price (in Hong Kong dollars). For valuation purposes unrelated to the Warrants, one AMEX Hong Kong 30 Index unit (1.0) is assigned a fixed value of one U.S. dollar. The AMEX Hong Kong 30 Index measures the average changes in price of the Underlying Stocks, weighted according to their respective market capitalizations, so that the effect of a percentage price change in an Underlying Stock will be greater the larger the Underlying Stock's market capitalization. The AMEX Hong Kong 30 Index was established by the AMEX on June 25, 1993, on which date the AMEX Hong Kong 30 Index value was set at 350.00. The daily calculation and public dissemination by the AMEX of the AMEX Hong Kong 30 Index value commenced on September 1, 1993. The data relating to the AMEX Hong Kong 30 Index was back-calculated by the AMEX from January 2, 1989 to August 31, 1993. The AMEX Hong Kong 30 Index is calculated by (i) adding the market capitalization of each Underlying Stock and (ii) dividing such sum by an adjusted base market capitalization or divisor. On June 25, 1993, the market value of the Underlying Stocks was approximately H.K.\$1,152,829,149,500 (equivalent to approximately U.S.\$148,656,241,000) and the divisor used to calculate the AMEX Hong Kong 30 Index was 3,293,797,570. The AMEX selected that particular divisor number in order, among other things, to ensure that the AMEX Hong Kong 30 Index was set at a general price level

consistent with other well recognized stock markets. The divisor is subject to periodic adjustments as set forth below. The AMEX Hong Kong 30 Index is calculated once every Index Calculation Day by the AMEX based on the most recent official closing prices of each of the Underlying Stocks reported by the HKSE. Pricing of the AMEX Hong Kong 30 Index will be performed each day and be disseminated before the opening of trading via the Consolidated Tape Authority Network-B continuously during each New York Business Day. The dissemination value, however, will remain the same throughout the trading day because the trading hours of the HKSE do not overlap with AMEX trading hours. Accordingly, updated price information will be unavailable. At the close of the market on January , 1994, the AMEX Hong Kong 30 Index level was .

In order to maintain continuity in the level of the AMEX Hong Kong 30 Index in the event of certain changes due to non-market factors affecting the Underlying Stocks, such as the addition or deletion of stocks, substitution of stocks, stock dividends, stock splits, distributions of assets to stockholders or other capitalization events, the divisor used in calculating the AMEX Hong Kong 30 Index is adjusted in a manner designed to prevent any instantaneous change or discontinuity in the level of the AMEX Hong Kong 30 Index and in order that the value of the AMEX Hong Kong 30 Index immediately after such change will equal the level of the AMEX Hong Kong 30 Index immediately prior to the change. Thereafter, the divisor remains at the new value until a further adjustment is necessary as the result of another change. Nevertheless, changes in the

S-29

30

identities and characteristics of the Underlying Stocks may significantly affect the behavior of the AMEX Hong Kong 30 Index over time.

The AMEX is under no obligation to continue the calculation and dissemination of the AMEX Hong Kong 30 Index and the method by which the AMEX Hong Kong 30 Index is calculated and the name "The AMEX Hong Kong 30 Index" may be changed at the discretion of the AMEX. The Warrants are not sponsored, endorsed, sold or promoted by the AMEX. No inference should be drawn from the information contained in this Prospectus Supplement that the AMEX makes any representation or warranty, implied or express, to the Company, the Warrantheolders or any member of the public regarding the advisability of investing in securities generally or in the Warrants in particular or the ability of the AMEX Hong Kong 30 Index to track general stock market performance. The AMEX has no obligation to take the needs of the Company or the Warrantheolders into consideration in determining, composing or calculating the AMEX Hong Kong 30 Index. The AMEX is not responsible for, and has not participated in the determination of the timing of, prices for, or quantities of, the Warrants to be issued or in the determination or calculation of the equation by which the Warrants are to be settled in cash. The AMEX has no obligation or liability in connection with the administration, marketing or trading of the Warrants.

The use of and reference to the AMEX Hong Kong 30 Index in connection with the Warrants have been consented to by the AMEX.

Except with respect to the responsibility of the Determination Agent to make certain calculations under certain circumstances as described herein, none of the Company, the Warrant Agent, the Determination Agent or the Underwriters accepts any responsibility for the calculation, maintenance or publication of the AMEX Hong Kong 30 Index or any Successor Index. The AMEX disclaims all responsibility for any inaccuracies in the data on which the AMEX Hong Kong 30 Index is based, or any mistakes or errors or omissions in the calculation or dissemination of the AMEX Hong Kong 30 Index or for the manner in which such index is applied in determining any Cash Settlement Value or Alternative Settlement Amount upon exercise of the Warrants.

HISTORICAL DATA ON THE AMEX HONG KONG 30 INDEX

The following table sets forth the closing level of the AMEX Hong Kong 30 Index at the end of each month in the period from January 1989 through January 7, 1994. All historical data presented in the following table relating to periods before September 1, 1993 (the date the AMEX commenced the daily calculation and public dissemination of the AMEX Hong Kong 30 Index) is presented as if the AMEX Hong Kong 30 Index had existed during such periods, based on the Underlying Stocks contained in the AMEX Hong Kong 30 Index as of June 25, 1993, and such closing levels have been calculated hypothetically on the same basis that the AMEX 30 Hong Kong Index is calculated, but without making certain of the adjustments referred to above to take account of non-market factors. All historical data presented in the following table relating to periods after September 1, 1993 are based on actual data from the AMEX Hong Kong 30 Index. Certain of the Underlying Stocks currently comprising the AMEX Hong Kong 30 Index may not have met the AMEX's criteria for inclusion in the AMEX Hong Kong 30 Index at all times during the period covered by the table. In addition, there is no reason to believe that other stocks would not have been included in the AMEX Hong Kong 30 Index had it been established at an earlier date. Accordingly, the month-end closing levels set forth below are not necessarily indicative of the levels that would have been in existence had the AMEX calculated and disseminated the AMEX Hong Kong 30 Index beginning in January 1989 applying the criteria set forth above to determine which Underlying Stocks would be included in such index. These historical data on the AMEX Hong Kong 30 Index are not necessarily indicative of the future performance of the AMEX Hong Kong 30 Index or what the value of the Warrants may be. Any historical upward or downward trend in the closing level of the AMEX Hong Kong 30 Index during any period set forth below is not any indication that

S-30

31

the level of the AMEX Hong Kong 30 Index is more or less likely to increase or decrease at any time during the term of the Warrants.

<TABLE>  
<CAPTION>

	MONTH-END CLOSING LEVEL -----
<S>	<C>
1989:	
January.....	149.88
February.....	147.27
March.....	146.46
April.....	152.01
May.....	133.76
June.....	110.46
July.....	125.78
August.....	123.02
September.....	135.71
October.....	135.04
November.....	136.23
December.....	140.32
1990:	
January.....	136.29
February.....	146.44
March.....	149.57
April.....	146.77
May.....	156.58
June.....	164.36
July.....	172.48
August.....	154.24
September.....	137.78
October.....	149.74
November.....	148.38
December.....	151.46

1991:	
January.....	162.42
February.....	177.56
March.....	187.39
April.....	179.85
May.....	186.43
June.....	184.68
July.....	201.91
August.....	201.49
September.....	200.42
October.....	204.76
November.....	209.96
December.....	217.58
1992:	
January.....	233.06
February.....	250.01
March.....	249.71
April.....	271.89
May.....	308.30
June.....	309.67
July.....	296.24
August.....	282.96
September.....	276.67
October.....	311.14
November.....	291.86
December.....	276.73

</TABLE>

S-31

32

<TABLE>  
<CAPTION>

	MONTH-END CLOSING LEVEL -----
<S>	<C>
1993:	
January.....	287.74
February.....	318.99
March.....	319.68
April.....	341.75
May.....	369.20
June.....	354.06
July.....	348.06
August.....	374.08
September.....	382.05
October.....	467.64
November.....	458.93
December.....	498.98
1994:	
January (through January 7).....	553.40

</TABLE>

The following graph sets forth the historical performance of the AMEX Hong Kong 30 Index at the end of each month from January 1989 through January 7, 1994. Past movements of the AMEX Hong Kong 30 Index are not necessarily indicative of the future AMEX Hong Kong 30 Index values. The January , 1994 closing level of the AMEX Hong Kong 30 Index was .

AMEX HONG KONG 30 INDEX--HISTORICAL PERFORMANCE  
MONTH-END VALUES THROUGH JANUARY 7, 1994

Source: Prepared by the Company from data obtained from the AMEX.

## THE HKSE

As of September 30, 1993, the HKSE was the world's 9th largest stock exchange based on U.S. dollar market capitalization. The HKSE market is a continuous market where trading is order-based through a computer-assisted system. Transactions are generally conducted by telephone. However, broker-dealers continue to operate from the stock exchange floor, and trading is therefore occasionally face-to-face. There are no market-makers in Hong Kong, but exchange dealers may act as dual capacity broker-dealers. All of the Underlying Stocks of the AMEX Hong Kong 30 Index are traded through the computerized trading system. Trading is undertaken from 10:00 A.M. to 12:30 P.M. and then from 2:30 P.M. to 3:30 P.M. (Hong Kong time) every Hong Kong day except Saturdays, Sundays and other days on which the HKSE is closed. Hong Kong time is 12 hours ahead of Eastern Daylight Savings Time and 13 hours ahead of Eastern Standard Time. Settlement of trades is required within 48 hours and requires either delivery of share certificates or book-entry delivery through the Central Clearing and Settlement System.

Due to the time differences between New York City and Hong Kong, on any normal trading day, trading on the HKSE of the Underlying Stocks currently will cease at 2:30 A.M. or 3:30 A.M., New York City time. Using the last reported closing prices of the Underlying Stocks on the HKSE, the closing level of the AMEX Hong Kong 30 Index on any such trading day generally will be calculated, published and disseminated by the AMEX in the United States shortly prior to the opening of trading on the AMEX in New York on the same calendar day.

The HKSE has adopted certain measures intended to prevent any extreme short-term price fluctuations resulting from order imbalances or market volatility. Where the HKSE considers it necessary for the protection of the investor or the maintenance of an orderly market, it may at any time suspend dealings in any securities or cancel the listing of any securities in such circumstances and subject to such conditions as it thinks fit, whether requested by the listed issuer or not. The HKSE may also do so where: (1) an issuer fails, in a manner which the HKSE considers material, to comply with the HKSE Listing Rules or its Listing Agreement; or (2) the HKSE considers there are insufficient securities in the hands of the public; or (3) the HKSE considers that the listed issuer does not have a sufficient level of operations or sufficient assets to warrant the continued listing of the issuer's securities; or (4) the HKSE considers that the issuer or its business is no longer suitable for listing. Investors should also be aware that the HKSE may suspend the trading of individual stocks in certain limited and extraordinary circumstances, until certain price-sensitive information has been disclosed to the public. For instance, dealing on a listed company's shares will normally be suspended when information about an intention to make a private placing, or a very substantial transaction compared to the net asset value of the company, has been leaked through an improper channel. Trading will not be resumed until after a formal announcement has been made. Trading of a company's shares may also be suspended if there is unusual trading activity in that stock.

An issuer may apply for suspension on its own accord. A suspension request will normally only be acceded to in the following circumstances: (1) where, for a reason acceptable to the HKSE, price-sensitive information cannot at that time be disclosed; (2) where the issuer is subject to an offer, but only where terms have been agreed in principle and require discussion with, and agreement by, one or more major shareholders (suspensions will only normally be appropriate where no previous announcement has been made); (3) to maintain an orderly market; (4) where there is an occurrence of certain levels of notifiable transactions, such as substantial changes in the nature, control or structure of the issuer, where publication of full details is necessary to permit a realistic valuation to be made of the securities concerned, or the approval of shareholders is required; (5) where the issuer is no longer suitable for listing, or becomes a "cash"



company; or (6) for issuers going into receivership or liquidation.

As a result of the foregoing, variations in the AMEX Hong Kong 30 Index may be limited by suspension of trading of individual stocks which comprise the AMEX Hong Kong 30 Index which may, in turn, adversely affect the value of the Warrants. In addition, a suspension in trading of (a) 20% or more of the Underlying Stocks and/or (b) stocks of any three of the four most highly capitalized companies included in the Underlying Stocks would result in an Exercise Limitation Event and a halt in trading of all of the Underlying Stocks would result in an Extraordinary Event, if such Events were declared by the Company. As a result, the

S-33

34

Valuation Date of exercised Warrants would be postponed and the Cash Settlement Value (or Alternative Settlement Amount) actually received by Warrantholders may be substantially lower (including zero) than the otherwise applicable Cash Settlement Value if the valuation of the Warrants had not been postponed. See "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein.

In 1977, the Hong Kong government authorized futures trading in commodities. The HK Futures Exchange currently provides for trading in gold, sugar and soybeans in addition to Hang Seng Index and Hong Kong Interbank Offered Rate contracts.

The stock index futures contracts traded on the HK Futures Exchange are based upon the Hang Seng Index ("HSI") and its four sub-indices: properties, utilities, finance, and commerce and industry. The HSI is a value-weighted index of 33 stocks and every stock in the HSI is represented in one of the four sub-indices. The following Underlying Stocks of the AMEX Hong Kong 30 Index (as of January , 1994) are not constituent securities of the HSI: [Amoy Properties Ltd., Dickson Concepts (International) Ltd., Henderson Investment Ltd. and Tai Cheung (Holdings) Ltd. The following constituent securities of the HSI (as of October 26, 1993) are not Underlying Stocks of the AMEX Hong Kong 30 Index: Hong Kong Aircraft Eng. Co. Ltd., Lai Sun Garment International Ltd., Mandarin Oriental International Ltd., Mirmar Hotel and Inv. Co. Ltd., Shun Tak Holdings Ltd., Television Broadcasts Ltd. and Winsor Industrial Corporation Ltd.] The AMEX Hong Kong 30 Index also differs from the HSI in that, among other things, the selection, maintenance and replacement criteria for the constituent securities of the two indices are not the same and that they are operated and governed by the rules of different entities.

Currently, the contracts listed on the HK Futures Exchange are HSI futures, HSI sub-indices futures, HSI options, gold and Hong Kong Interbank Offered Rate futures. There is a daily maximum fluctuation limit of 300 points imposed on the HSI contracts (not applicable to spot mark contracts). Once the limit is touched, orders cannot be transacted above (the upside limit) or below (the downside limit) but orders within the range can continue to trade.

The foregoing discussion reflects the current rules governing the HKSE and the HK Futures Exchange, which are subject to change.

#### CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

##### U.S. FEDERAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF A WARRANT BY A U.S. HOLDER

The following is a summary of certain anticipated U.S. federal income tax consequences of an investment in Warrants and represents the views of Sullivan & Cromwell, special tax counsel to the Company. This summary deals only with "U.S. Holders" (as defined below) that will hold Warrants as capital assets and as to which the Underlying Stocks, if acquired by such holders, would be capital assets, and does not deal with Warrantholders in special tax situations, such as dealers in options, securities or currencies. A U.S. Holder means a

Warrantholder who or which is (i) a citizen or resident of the United States, (ii) a domestic corporation, or (iii) a person otherwise subject to U.S. federal income taxation on a net income basis in respect of the Warrant.

This summary does not address every U.S. federal income tax issue raised by the ownership of Warrants. In particular, this summary does not consider either (i) the U.S. federal income tax consequences of holding Warrants as a hedge against, or hedged against, currency or security price risks, or (ii) the possible application of the "straddle" rules of the Internal Revenue Code of 1986, as amended (the "Code"), to a Warrantholder as a result of holding other "positions" (within the meaning of Section 1092 of the Code). Either of these factors might substantially alter the tax consequences described below and may require specific identification of positions in the Warrants before the close of the date on which they are acquired. In particular, if the "straddle rules" were to apply, a Warrantholder might be required to defer all or a portion of any loss realized upon the sale, transfer, exercise, cancellation or lapse of a Warrant. Accordingly, prospective purchasers of Warrants are urged to consult their own tax advisors before any such acquisition concerning the U.S. federal, state and local tax consequences, in light of their own particular circumstances, of owning Warrants.

S-34

35

A U.S. Holder will generally recognize capital gain or loss only upon the sale, transfer, exercise, cancellation or lapse of a Warrant, which gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Warrant for more than one year.

Notwithstanding the foregoing, assuming the Warrants remain traded on or subject to the rules of a "qualified board or exchange" (as defined in Section 1256(g)(7) of the Code), they will become "nonequity options" subject to the "mark-to-market" rules of Section 1256 of the Code at such time as either (i) the Commodity Futures Trading Commission (the "CFTC") designates a contract market for a contract based on the AMEX Hong Kong 30 Index or (ii) the Secretary of the Treasury otherwise determines that the Warrants meet the requirements of law for such a designation. No such designation or determination has yet occurred. Nevertheless, an application is currently pending with the CFTC for a designation of a contract market for a contract based on the Hang Seng Index which is an index that is calculated on the basis of a substantially similar weighting of a substantial number of identical securities as, and whose performance is highly correlated to, the AMEX Hong Kong 30 Index. It is not clear what effect such a designation would have on the classification of the Warrants as "nonequity options". If the mark-to-market rules of Section 1256 were to apply to the Warrants, a U.S. Holder of an unexercised Warrant would generally be required (a) to treat the Warrant as if it were sold for its fair market value on the last day of each taxable year during which the U.S. Holder owned the Warrant and (b) to recognize gain or loss as 60% long-term and 40% short-term capital gain or loss. Thus, a U.S. Holder of a Warrant that is subject to the mark-to-market rules of Section 1256 might incur federal income tax liability on an annual basis in respect of an increase in the value of a Warrant without a corresponding receipt of cash. Under the mark-to-market rules, any gain or loss realized by a U.S. Holder upon the sale, transfer, exercise, cancellation or lapse of a Warrant would also be treated as 60% long-term and 40% short-term capital gain or loss.

Regardless of whether the Warrants are treated as "nonequity options", no portion of gain or loss in respect of a Warrant will be treated as foreign currency gain or loss for U.S. federal income tax purposes.

#### U.S. FEDERAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF A WARRANTY BY A NON-U.S. HOLDER

In general, a Warrantholder who or which is (i) a nonresident alien individual or (ii) a foreign corporation, partnership, estate or trust, in



either case not subject to U.S. federal income tax on a net income basis in respect of a Warrant (a "non-U.S. Holder"), will not be subject to U.S. federal withholding tax with respect to amounts received, if any, with respect to a Warrant.

BACKUP WITHHOLDING

In general, the proceeds received from a sale, transfer, cancellation or exercise of a Warrant by a U.S. Holder will be subject to information reporting, and may be subject to a U.S. "backup" withholding at a rate of 31% if the U.S. Holder thereof fails to supply an accurate taxpayer identification number or otherwise comply with applicable U.S. information reporting or certification requirements. Such payments made to a non-U.S. Holder will not be subject to information reporting or back-up withholding if the non-U.S. Holder certifies its status as a non-U.S. Holder under penalty of perjury, provided that the payor does not have actual knowledge that the holder is a United States person. Any amounts so withheld would be refundable or allowed as a credit against such holder's U.S. federal income tax liability.

S-35

36

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, the Company has agreed to sell to each of the Underwriters named below, and each of the Underwriters has severally agreed to purchase, the number of Warrants set forth opposite its name.

<TABLE>  
<CAPTION>

UNDERWRITERS	NUMBER OF WARRANTS
<S>	<C>
PaineWebber Incorporated.....	
Oppenheimer & Co., Inc.....	
Kemper Securities, Inc.....	
Total.....	2,000,000

</TABLE>

The Underwriters have advised the Company that they propose to offer the Warrants to the public initially at the offering price set forth on the cover page of this Prospectus Supplement, and to certain dealers at such price less a concession not in excess of \$ per Warrant. The Underwriters may allow and such dealers may reallow a concession not in excess of \$ per Warrant to certain other dealers. After the initial public offering, the public offering price and such concessions may be changed.

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will purchase all of the Warrants if any are purchased.

The Company has agreed to indemnify the Underwriters against, and to contribute to losses arising out of, certain liabilities, including liabilities under the Securities Act of 1933, as amended.

PaineWebber Incorporated is a wholly owned subsidiary of the Company. The participation of PaineWebber Incorporated in the offer and sale of the Warrants complies with the requirements of Schedule E of the By-Laws of the National Association of Securities Dealers, Inc. (the "NASD") regarding underwriting securities of an affiliate. Under the provisions of Schedule E, when a NASD

member such as PaineWebber Incorporated distributes warrants of an affiliate, the price of the warrants can be no higher than that recommended by a "qualified independent underwriter", as such term is defined in Schedule E, meeting certain standards. In accordance with such requirements, Oppenheimer & Co., Inc. has agreed to serve as a "qualified independent underwriter" and has conducted due diligence and has recommended a price for the Warrants in compliance with the requirements of Schedule E.

Each Underwriter has represented that (i) it has complied and will comply with all applicable provisions of the Financial Services Act of 1986 with respect to anything done by it in relation to the Warrants in, from or otherwise involving the United Kingdom and (ii) it has only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by it in connection with the issue of the Warrants to a person who is of a kind described in Article 9(3) of the Financial Services Act of 1986 (Investment Advertisements) (Exemptions) Order 1988 or is a person to whom the document may otherwise lawfully be issued or passed on.

No person (other than a person permitted to do so under the securities laws of Hong Kong) may distribute this document or any other offering material relating to the Warrants or issue any advertisement or invitation relating to the Warrants in or from Hong Kong except with respect to Warrants intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or as agent.

VALIDITY OF THE WARRANTS

The validity of the Warrants will be passed upon for the Company by Cravath, Swaine & Moore, New York, New York, and for the Underwriters by Sullivan & Cromwell, New York, New York.

S-36

37

APPENDIX A

AMEX HONG KONG 30 INDEX -- UNDERLYING STOCKS

The following is a list of the issuers of the 30 stocks constituting the AMEX Hong Kong 30 Index as of January , 1994. Such information was obtained from the AMEX. The AMEX may delete, add or substitute any stock underlying the AMEX Hong Kong 30 Index. See "The AMEX Hong Kong 30 Index" in this Prospectus Supplement.

STOCKS INCLUDED IN THE AMEX HONG KONG 30 INDEX AS OF JANUARY , 1994, TOGETHER WITH THEIR PERCENTAGE WEIGHT (ROUNDED TO THE NEAREST .01%) IN THE AMEX HONG KONG 30 INDEX AS OF JANUARY , 1994, ARE SET FORTH BELOW:

<TABLE>  
<CAPTION>

STOCK	PERCENTAGE WEIGHT
[Amoy Properties Ltd.....	1.50%
The Bank of East Asia, Ltd.....	1.42%
Cathay Pacific Airways Ltd.....	2.33%
Cheung Kong (Holdings) Ltd.....	5.12%
China Light & Power Co., Ltd.....	5.55%
CITIC Pacific Ltd.....	2.42%
Dairy Farm International Holdings Ltd.....	1.65%
Dickson Concepts (International) Ltd.....	0.30%
Great Eagle Holdings Ltd.....	0.57%
Hang Lung Development Co. Ltd.....	1.17%

Hang Seng Bank Ltd.....	7.60%
Henderson Investment Ltd.....	0.87%
Henderson Land Development Co. Ltd.....	3.52%
The Hong Kong & China Gas Co. Ltd.....	1.93%
The Hong Kong and Shanghai Hotels, Ltd.....	0.71%
Hong Kong Electric Holdings Ltd.....	3.23%
Hong Kong Land Holdings Ltd.....	2.60%
Hong Kong Telecommunications Ltd.....	11.93%
Hopewell Holdings Ltd.....	2.08%
HSBC Holdings plc.....	10.03%
Hutchison Whampoa Ltd.....	6.74%
Hysan Development Co. Ltd.....	1.35%
Jardine Matheson Holdings Ltd.....	3.46%
Jardine Strategic Holdings Ltd.....	2.02%
New World Development Co., Ltd.....	2.69%
Sun Hung Kai Properties Ltd.....	6.57%
Swire Pacific Ltd. 'A'.....	3.18%
Tai Cheung Holdings Ltd.....	0.37%
The Wharf (Holdings) Ltd.....	3.96%
World International (Holdings) Ltd.....	2.15%]
Total.....	100.00%

</TABLE>

As of January , 1994, the total capitalization of the AMEX Hong Kong 30 Index was U.S. \$ billion.

A-1

38

APPENDIX B

INDEX OF KEY TERMS

<TABLE>  
<CAPTION>

TERM	PAGE ON WHICH TERM IS DEFINED
<S>	<C>
Alternative Settlement Amount.....	S-25
AMEX.....	front cover, S-3
AMEX Hong Kong 30 Index.....	front cover, S-3
Applicable Hong Kong Business Day.....	S-24
Cancellation Date.....	S-25
Cash Settlement Value.....	front cover, S-3
CEDEL.....	S-18
CFTC.....	S-35
China.....	S-13
Citibank.....	S-16
Code.....	S-34
Company.....	front cover, S-3
Conversion Option.....	S-10
Conversion Option Period.....	S-16
Cooperative.....	S-18
Delisting Date.....	S-2, S-4, S-27
Depositories.....	S-17
Determination Agent.....	S-21
DTC.....	S-10
Euroclear.....	S-18
Euroclear Operator.....	S-18
Exercise Date.....	S-19

Exercise Notice.....	S-19
Expiration Date.....	S-4, S-18
Extraordinary Event.....	S-24
HK Futures Exchange.....	S-25
HKSE.....	S-4
Hong Kong Business Day.....	S-13
Index Calculation Day.....	S-13
Limit Option.....	S-22
Limit Option Reference Index.....	S-22
Morgan.....	S-16
NASD.....	S-36
New York Business Day.....	S-13
Non-U.S. Holder.....	S-35
PaineWebber.....	S-3
Spot AMEX Hong Kong 30 Index.....	S-9
Strike AMEX Hong Kong 30 Index.....	S-9
Successor Index.....	S-9
Terms and Conditions.....	S-18
Third Party.....	S-9
U.S. Holder.....	S-34
Underlying Stock.....	S-14
Valuation Date.....	S-20
Warrant Agent.....	S-14
Warrant Agent's Office.....	S-14
Warrant Agreement.....	S-14
Warrant Certificate.....	S-15
Warrantholder.....	S-9

</TABLE>

B-1

39

-----  
 -----  
 NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATES AS OF WHICH INFORMATION IS GIVEN IN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH AN OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

-----  
 TABLE OF CONTENTS

<TABLE>  
 <CAPTION>

	PAGE
	----
<S>	<C>
PROSPECTUS SUPPLEMENT	
Prospectus Summary.....	S-3
Certain Important Information	
Concerning the Warrants.....	S-9
Use of Proceeds.....	S-14
Description of the Warrants.....	S-14
The AMEX Hong Kong 30 Index.....	S-27
Certain United States Federal Income	
Tax Considerations.....	S-34
Underwriting.....	S-36

Validity of the Warrants.....	S-36
Appendix A: AMEX Hong Kong 30	
Index -- Underlying Stocks.....	A-1
Appendix B: Index of Key Terms.....	B-1
PROSPECTUS	
Available Information.....	2
Documents Incorporated by Reference...	2
Risk Factors.....	3
Paine Webber Group Inc. ....	9
Selected Consolidated Financial	
Data.....	10
Use of Proceeds.....	10
Description of Warrants.....	11
Plan of Distribution.....	14
ERISA Considerations.....	15
Experts.....	15
Legal Opinions.....	16

</TABLE>

-----  
-----  
-----  
-----

TM  
PAINWEBBER

2,000,000 WARRANTS

PAIN WEBBER GROUP INC.  
AMEX HONG KONG  
30 STOCK INDEX\*  
CALL WARRANTS EXPIRING  
JANUARY 17, 1996

-----  
PROSPECTUS SUPPLEMENT  
-----

PAINWEBBER INCORPORATED  
  
OPPENHEIMER & CO., INC.  
  
KEMPER SECURITIES, INC.  
  
-----

JANUARY , 1994

\* The use of and reference to the term "AMEX Hong Kong 30 Index" herein has been consented to by the American Stock Exchange, Inc. The "AMEX Hong Kong 30 Index" is a service mark of the American Stock Exchange, Inc.

-----  
-----

The following information is being furnished pursuant to Item 304 of Regulation S-T promulgated by the Securities and Exchange Commission:

In the paper format version of this Prospectus Supplement there appears a

graph depicting the historical performance of the AMEX Hong Kong 30 Index at the end of each month from January 1989 through January 7, 1994. The information conveyed by such graphic information is described in tabular form in the Prospectus Supplement on pages S-30, S-31 and S-32 under the heading "The AMEX Hong Kong 30 Index -- Historical. Data on the AMEX Hong Kong 30 Index."

C-1

PROSPECTUS SUPPLEMENT  
 (TO PROSPECTUS DATED OCTOBER 14, 1993)

2,000,000 WARRANTS

PAINÉ WEBBER GROUP INC.  
 AMEX HONG KONG 30 INDEX\* PUT WARRANTS  
 EXPIRING JANUARY 17, 1996  
 -----

Each Warrant will entitle the holder thereof to receive from Paine Webber Group Inc. (the "Company"), upon exercise (including automatic exercise), an amount in U.S. dollars computed by reference to decreases in the American Stock Exchange Hong Kong 30 Index (the "AMEX Hong Kong 30 Index"). Such amount (the "Cash Settlement Value") will equal the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the Strike AMEX Hong Kong 30 Index (as defined herein) exceeds the Spot AMEX Hong Kong 30 Index (as defined herein) for the applicable Valuation Date (as defined herein) following exercise, divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$ per U.S.\$1.00. If the Spot AMEX Hong Kong 30 Index for such Valuation Date equals or exceeds the Strike AMEX Hong Kong 30 Index, the Cash Settlement Value will be zero; in which case, the Warrantholder will be permitted, subject to certain exceptions, to re-exercise such Warrant prior to the Expiration Date or the Delisting Date (as defined herein). The Strike AMEX Hong Kong 30 Index is , which was the closing level of the AMEX Hong Kong 30 Index on January , 1994. As of January , 1994, the Spot AMEX Hong Kong 30 Index is and the Cash Settlement Value of the Warrants is zero. The AMEX Hong Kong 30 Index was established on June 25, 1993, on which date it was set at a value of 350.00.

The Warrants are unsecured contractual obligations of the Company and will rank on a parity with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt.

THE WARRANTS INVOLVE A HIGH DEGREE OF RISK, INCLUDING THE RISK OF EXPIRING WORTHLESS IF THE LEVEL OF THE AMEX HONG KONG 30 INDEX DOES NOT DECLINE PRIOR TO THE EXPIRATION DATE. PURCHASERS SHOULD BE PREPARED TO SUSTAIN A TOTAL LOSS OF THE PURCHASE PRICE OF THEIR WARRANTS AND ARE ADVISED TO CONSIDER CAREFULLY THE INFORMATION UNDER "CERTAIN IMPORTANT INFORMATION CONCERNING THE WARRANTS" HEREIN AND "RISK FACTORS" IN THE PROSPECTUS, AS WELL AS THE OTHER INFORMATION HEREIN AND IN THE PROSPECTUS.

Application has been made to list the Warrants on the American Stock Exchange (the "AMEX"). The AMEX symbol for the Warrants is HPW.WS.

-----

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>  
 <CAPTION>

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)
<S>	<C>	<C>	<C>
Per Warrant.....	\$	\$	\$

Total..... \$ \$ \$  
-----  
-----

</TABLE>

- (1) See "Underwriting" herein.
- (2) Before deducting expenses estimated at \$ , which are payable by the Company.

-----

The Warrants are offered by the Underwriters, subject to prior sale, when, as and if delivered to and accepted by the Underwriters, and subject to their right to reject any order in whole or in part. It is expected that delivery of the Warrants will be made in New York City on or about January , 1994.

-----

PAINWEBBER INCORPORATED

OPPENHEIMER & CO., INC.

KEMPER SECURITIES, INC.

-----

\* The use of and reference to the term "AMEX Hong Kong 30 Index" herein has been consented to by the American Stock Exchange, Inc. The "AMEX Hong Kong 30 Index" is a service mark of the American Stock Exchange, Inc.

THE DATE OF THIS PROSPECTUS SUPPLEMENT IS JANUARY , 1994.

2

The valuation of and payment for any exercised Warrant (including in the case of automatic exercise) may be postponed as a result of an Exercise Limitation Event or an Extraordinary Event or as a result of the exercise of a number of Warrants exceeding the limits on exercise described herein under "Description of the Warrants -- Maximum Exercise Amount", in which case the Warrantholder will receive a Cash Settlement Value or, under certain circumstances, the Alternative Settlement Amount (as defined herein) for such Warrant, in either case determined as of a later date. See "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" and "-- Maximum Exercise Amount" herein.

The Warrants will be exercisable immediately upon issuance and may be exercised until 3:00 P.M., New York City time, on the New York Business Day (as defined herein) immediately preceding the Expiration Date for the Warrants, which is January 17, 1996, or until their earlier expiration on the last New York Business Day prior to the effective date of their delisting from, or permanent suspension from trading on, the AMEX and failure to list on another United States national securities exchange (the "Delisting Date"). Any Warrant not exercised at or before 3:00 P.M., New York City time, on such New York Business Day will be automatically exercised on such date. A Warrantholder may exercise no fewer than 500 Warrants at any one time, except in the case of automatic exercise. A Warrantholder tendering Warrants for exercise will have the option of specifying that, unless an Alternative Settlement Amount is payable in respect of such Warrants, such Warrants are not to be exercised if the Spot AMEX Hong Kong 30 Index as of the applicable Valuation Date is 20 or more points higher than the most recent closing level of the AMEX Hong Kong 30 Index prior to exercise. All exercises of Warrants (other than on the Expiration Date, the Delisting Date or upon the occurrence of certain extraordinary circumstances) are subject, at the Company's option, to the limitation that not more than 1,000,000 Warrants in total may be exercised on any Exercise Date (as defined herein) and not more than 250,000 Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any other person or entity, on any Exercise Date. See "Certain Important Information Concerning the Warrants" and "Description of the Warrants" herein and "Description of Warrants" in the Prospectus.

-----



IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE WARRANTS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE AMERICAN STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

-----  
FOR NORTH CAROLINA INVESTORS ONLY: THE COMMISSIONER OF INSURANCE OF THE STATE OF NORTH CAROLINA HAS NOT APPROVED OR DISAPPROVED THIS OFFERING, NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS.  
-----

S-2

3

### PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in the Prospectus and this Prospectus Supplement and in the documents incorporated therein and herein by reference. Appendix B hereto (the "Index of Key Terms") contains a listing of defined terms and pages on which they are defined in this Prospectus Supplement.

#### PAINÉ WEBBER GROUP INC.

Paine Webber Group Inc. (the "Company") is a holding company which, together with its operating subsidiaries, forms one of the largest full-service securities firms in the industry. Founded in 1879, the Company has offices located throughout the United States and in many major foreign cities. The Company's principal line of business is to serve the investment and capital needs of individual, corporate, institutional and public agency clients through its broker-dealer subsidiary, PaineWebber Incorporated ("PaineWebber"), and other specialized subsidiaries. The Company is comprised of four interrelated core business groups -- Retail Sales and Marketing, Asset Management, Institutional Sales and Trading, and Investment Banking.

See "Selected Consolidated Financial Data" in the Prospectus for information concerning the Company's earnings and financial condition.

#### THE OFFERING

<TABLE>

<S>

SECURITIES OFFERED.....

<C>

AMEX Hong Kong 30 Index Put Warrants Expiring January 17, 1996 (the "Warrants"). Each Warrant will entitle the beneficial owner thereof to receive from the Company, upon exercise (including automatic exercise), an amount in U.S. dollars computed by reference to decreases in the American Stock Exchange Hong Kong 30 Index (the "AMEX Hong Kong 30 Index"). Such amount (the "Cash Settlement Value") will equal the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the Strike AMEX Hong Kong 30 Index (as hereinafter defined) exceeds the Spot AMEX Hong Kong 30 Index (as hereinafter defined) for the applicable Valuation Date (as hereinafter defined) following exercise, divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$ per U.S.\$1.00. If the Spot AMEX Hong Kong 30 Index for a Valuation Date equals or exceeds the Strike AMEX Hong Kong 30 Index, the corresponding Cash Settlement Value will be zero; in which case, the Warrantholder will be

permitted, subject to certain exceptions, to re-exercise such Warrant prior to the Expiration Date or the Delisting Date (as hereinafter defined). The Strike AMEX Hong Kong 30 Index is , which was the closing level of the AMEX Hong Kong 30 Index on January , 1994. As of January , 1994, the Spot AMEX Hong Kong 30 Index is and the Cash Settlement Value of the Warrants is zero.

PRICE.....  
THE AMEX HONG KONG 30 INDEX.....

U.S.\$ per Warrant.  
The AMEX Hong Kong 30 Index is a new capitalization-weighted stock index designed, developed, maintained and operated by, and is a service mark of, the American Stock Exchange (the "AMEX"). The AMEX Hong Kong 30 Index is being used by the Company with the permission of the

</TABLE>

S-3

4

<TABLE>  
<CAPTION>  
<S>

<C>  
AMEX. The AMEX Hong Kong 30 Index measures the composite price performance of 30 selected stocks trading on The Stock Exchange of Hong Kong Ltd. (the "HKSE"), and is designed to represent a substantial segment of the Hong Kong stock market. Business sector representation in the AMEX Hong Kong 30 Index consists primarily of finance, property development, utilities and conglomerates and also includes food retailing, hotel/leisure, property investment, airlines and luxury retailing. The AMEX Hong Kong 30 Index was established on June 25, 1993, on which date it was set at a value of 350.00.  
Stocks that comprise the AMEX Hong Kong 30 Index may be changed or substituted by the AMEX based on certain criteria. The AMEX is under no obligation to continue the calculation or the dissemination of the AMEX Hong Kong 30 Index. See "The AMEX Hong Kong 30 Index" herein. If the AMEX discontinues publication of the AMEX Hong Kong 30 Index or any Successor Index (as hereinafter defined), the Determination Agent (as hereinafter defined) shall determine the applicable Cash Settlement Value based on the formula and method used in calculating the AMEX Hong Kong 30 Index or any Successor Index as in effect on the date the AMEX Hong Kong 30 Index or such Successor Index was last published. See "Certain Important Information Concerning the Warrants" herein.

EXERCISE OF WARRANTS.....

The Warrants will be immediately exercisable upon issuance (subject to postponement as described herein under "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events") and may be exercised until 3:00 P.M., New York City time, on the earlier of (i) the New York Business Day (as hereinafter defined) immediately preceding the Expiration Date for the Warrants, which is January 17, 1996 (the "Expiration Date"), or (ii) the last New York Business Day prior to the effective date of their delisting from, or permanent suspension from trading on (within the meaning of the Securities Exchange Act of 1934 and the rules and regulations

thereunder), the AMEX and failure to list on another United States national securities exchange (the "Delisting Date"). See "Description of the Warrants -- Exercise and Settlement of Warrants" herein.

EXERCISE AMOUNT..... A Warrant holder may exercise no fewer than 500 Warrants at any one time, except in the case of automatic exercise. See "Description of the Warrants -- Minimum Exercise Amount" herein. All exercises of Warrants (other than on the Expiration Date or the Delisting Date or upon the cancellation of Warrants as described herein under "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events") are subject, at the Company's option, to the limitation that not more than 1,000,000 Warrants in total may be exercised on any Exercise Date and not more than 250,000 Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any

</TABLE>

S-4

5

<TABLE>  
<CAPTION>  
<S>

<C>  
other person or entity, on any Exercise Date. See "Description of the Warrants -- Maximum Exercise Amount" herein.

EXTRAORDINARY EVENTS AND EXERCISE

LIMITATION EVENTS..... See "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein for a description of such Events and the consequences of the declaration of such an Event by the Company.

CERTAIN RISK FACTORS.....

The Warrants involve a high degree of risk, including risks arising from fluctuations in the prices of the Underlying Stocks (as hereinafter defined), risks relating to the AMEX Hong Kong 30 Index and general risks applicable to the HKSE (the exchange on which the Underlying Stocks are traded), such as for example, market disruption events, suspensions and trading halts. Prospective purchasers of the Warrants should recognize that their Warrants may expire worthless. Purchasers should be prepared to sustain a total loss of the purchase price of their Warrants. The Warrants are appropriate investments only for investors with options approved accounts who are able to understand and bear the risk of a speculative investment in the Warrants.

It is not possible to predict how the Warrants will trade in the secondary market or whether such market will be liquid or illiquid.

Application has been made to list the Warrants on the AMEX. In the event that the Warrants are delisted from, or permanently suspended from trading on, the AMEX, and not accepted at the same time for listing on another United States national securities exchange, Warrants not previously exercised will be deemed automatically exercised on the last New York Business Day prior to the effective date of such delisting or suspension, and the Cash Settlement Value, if any, shall be calculated and settled as provided below under "Description of the Warrants -- Automatic

Exercise". See "Description of the Warrants -- Delisting of Warrants" herein. In the event of a delisting or suspension of trading on the AMEX, the Company will use its best efforts to list the Warrants on another United States national securities exchange. To the extent Warrants are exercised, the number of Warrants outstanding will decrease, resulting in a decrease in the liquidity of the Warrants.

The AMEX Hong Kong 30 Index has experienced significant movements in the past, and it is impossible to predict its future direction. See "The AMEX Hong Kong 30 Index -- Historical Data on the AMEX Hong Kong 30 Index" herein. Potential investors should be aware that PaineWebber, in its capacity as Determination Agent, is under no obligation to take the interests of the Company or the Warrantholders into consideration in the event it determines, composes or calculates the Cash Settlement Value. However, PaineWebber is an affiliate of the Company, and certain conflicts of interest may arise in connection with PaineWebber performing its

</TABLE>

S-5

6

<TABLE>  
<CAPTION>  
<S>

<C>

role as Determination Agent. PaineWebber, as a registered broker-dealer, is required to maintain policies and procedures regarding the handling and use of confidential proprietary information, and such policies and procedures will be in effect throughout the term of the Warrants to restrict the use of information relating to the calculation of the Cash Settlement Value prior to its dissemination. Moreover, PaineWebber is obligated to carry out its duties and functions as Determination Agent in good faith and using its reasonable judgment. See "Description of the Warrants -- Exercise and Settlement of Warrants". Except for cases of automatic exercise, a Warrantholder must tender at least 500 Warrants at any one time in order to exercise its Warrants. Thus, except in such cases, Warrantholders with fewer than 500 Warrants will need either to sell their Warrants or to purchase additional Warrants, incurring transaction costs in each case, in order to realize upon their investment.

A Warrantholder will not be able to determine, at the time of exercise of a Warrant, the Spot AMEX Hong Kong 30 Index that will be used in calculating the Cash Settlement Value of such Warrant (and will thus be unable to determine such Cash Settlement Value). In addition, the Valuation Date for exercised Warrants may be postponed upon the occurrence and continuation of an Extraordinary Event or an Exercise Limitation Event (see "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein) or as a result of the exercise of a number of Warrants exceeding the limits on exercise described below under "Description of the Warrants -- Maximum Exercise Amount". Any upward movement in the level

of the AMEX Hong Kong 30 Index between the time a Warrantholder submits an Exercise Notice and the time the Spot AMEX Hong Kong 30 Index for such exercise is determined (which period will, at a minimum, represent an entire Hong Kong Business Day (as hereinafter defined) and, in the case of a Valuation Date that is postponed following an Extraordinary Event or an Exercise Limitation Event or in the case of a postponement resulting from the exercise of a number of Warrants exceeding the limits on exercise described below under "Description of the Warrants -- Maximum Exercise Amount", may be substantially longer) will result in such Warrantholder receiving a Cash Settlement Value or Alternative Settlement Amount (as hereinafter defined) (including a zero Alternative Settlement Amount) that is less than the Cash Settlement Value anticipated by such Warrantholder based on the level of the AMEX Hong Kong 30 Index most recently reported prior to exercise. The AMEX will calculate the AMEX Hong Kong 30 Index once each Index Calculation Day (as hereinafter defined) based upon the most recent official closing prices of each of the Underlying Stocks as reported by the HKSE. Due to time differ-

</TABLE>

S-6

7

<TABLE>  
<CAPTION>  
<S>

<C>

ences, trading on the HKSE occurs when the AMEX is closed for business.

If the Company determines that on a Valuation Date an Extraordinary Event or Exercise Limitation Event has occurred and is continuing, then the Cash Settlement Value may be calculated on the basis that the Valuation Date shall be later than the date otherwise provided herein. Circumstances existed from October 20 through October 23, 1987 (prior to the inception of the AMEX Hong Kong 30 Index), on July 22, 1992 and on September 17, 1993, that would have constituted an Extraordinary Event and an Exercise Limitation Event. See "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein.

Investors are advised to consider carefully the foregoing risk factors and the risks and other matters discussed under "Risk Factors" in the Prospectus and "Certain Important Information Concerning the Warrants", "Description of the Warrants" and "Certain United States Federal Income Tax Considerations" herein prior to purchasing the Warrants.

WHO SHOULD INVEST.....

The AMEX requires that the Warrants be sold only to investors whose accounts have been approved for options trading. In addition, the AMEX requires that its members and member organizations and registered employees thereof make certain suitability determinations before recommending transactions in Warrants.

Investment decisions relating to international stock index warrants require an investor to predict the direction of movements in the underlying index as well as the amount and timing of those

movements. International stock index warrants may change substantially in value, or lose all of their value, with relatively small movements in the underlying index. Moreover, an index warrant is a "wasting asset" in that, in the absence of countervailing factors, such as an offsetting movement in the level of the index, the market value of an index warrant will tend to decrease over time and the warrant will have no market value after the time for exercise has expired. Accordingly, international stock index warrants involve a high degree of risk and are not appropriate for every investor. Investors who are considering purchasing the Warrants must have an options approved account, be able to understand and bear the risk of a speculative investment in the Warrants, be experienced with respect to options and option transactions and understand the risks of stock index transactions. Such investors should reach an investment decision only after careful consideration with their advisers of the suitability of the Warrants in light of their particular financial circumstances and the information set forth in this Prospectus Supplement and the Prospectus. See "Certain Important Information Concerning the Warrants" herein. As indicated above, investors should be prepared to sustain a total loss of the purchase price of the Warrants.

</TABLE>

S-7

8

<TABLE>	
<CAPTION>	
<S>	<C>
PROPOSED LISTING.....	American Stock Exchange
WARRANT TRADING SYMBOL.....	HPW.WS
WARRANT AGENT.....	Citibank, N.A.
DETERMINATION AGENT.....	PaineWebber Incorporated
THE AMEX HONG KONG 30 INDEX QUOTATION	
SYMBOL.....	HKX
</TABLE>	

S-8

9

CERTAIN IMPORTANT INFORMATION  
CONCERNING THE WARRANTS

The registered or beneficial owner of a Warrant (a "Warrantholder") will receive a cash payment upon exercise (including automatic exercise) only if such Warrant has a Cash Settlement Value (or, if applicable, upon the occurrence of an Extraordinary Event or an Exercise Limitation Event as described under "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein, an Alternative Settlement Amount, as hereinafter defined) greater than zero at such time. Prospective purchasers of the Warrants should recognize that their Warrants may expire worthless and they should be prepared to sustain a total loss of the purchase price of their Warrants. The Cash Settlement Value of a Warrant will be an amount in U.S. dollars equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the Strike AMEX Hong Kong 30 Index exceeds the Spot AMEX Hong Kong 30 Index for the applicable Valuation Date, divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$            per U.S.\$1.00. See "Description of the Warrants -- Cash Settlement Value" herein.

The "Strike AMEX Hong Kong 30 Index" is \_\_\_\_\_, which was the closing level of the AMEX Hong Kong 30 Index on January \_\_\_\_\_, 1994. The "Spot AMEX Hong Kong 30 Index" for any date means the closing level on such date of the AMEX Hong Kong 30 Index as compiled and published by the AMEX. See "The AMEX Hong Kong 30 Index" herein. In the event that the AMEX Hong Kong 30 Index is not published by the AMEX but is published by another person not affiliated with, but acceptable to, the Company (the "Third Party"), then the Spot AMEX Hong Kong 30 Index for any date thereafter will be determined based on the closing level of the AMEX Hong Kong 30 Index as published by such Third Party. If the AMEX or any Third Party discontinues publication of the AMEX Hong Kong 30 Index and publishes a successor or substitute index that the Company determines, in its sole discretion, to be comparable to the AMEX Hong Kong 30 Index (any such index being a "Successor Index"), then the Spot AMEX Hong Kong 30 Index for any date thereafter will be determined by the Determination Agent on behalf of the Company based on the closing level of the Successor Index on such date. If the AMEX or any Third Party makes a material change in the formula for, or the method of calculating, the AMEX Hong Kong 30 Index or any Successor Index, the Determination Agent shall make such calculations as may be required to determine the applicable Cash Settlement Value using the formula and method of calculating the Index or any Successor Index as in effect prior to such change or modification. If the AMEX and/or any Third Party discontinues publication of the AMEX Hong Kong 30 Index and/or any Successor Index, the Company will cause the Determination Agent to determine the applicable Cash Settlement Value based on the formula and method used in calculating the AMEX Hong Kong 30 Index or any Successor Index as in effect on the date the AMEX Hong Kong 30 Index or such Successor Index was last published.

Except under the circumstances described in the next paragraph, the Valuation Date for an exercised Warrant will be the first Index Calculation Day after the related Exercise Date. The Exercise Date for an exercised Warrant, subject to certain exceptions described under "-- Exercise and Settlement of the Warrants", "-- Limit Option" and "-- Automatic Exercise" under "Description of the Warrants" herein, will be the New York Business Day on which such Warrant and an Exercise Notice (as hereinafter defined) in proper form are received by the Warrant Agent (as hereinafter defined) if received at or prior to 3:00 P.M., New York City time, on such day; if such Warrant and Exercise Notice are received after such time, the Exercise Date will be the next succeeding New York Business Day. See "Description of the Warrants -- Exercise and Settlement of Warrants" herein.

The Valuation Date for an exercised Warrant will occur after the Exercise Date (see "Description of the Warrants -- Exercise and Settlement of Warrants" herein). Therefore, a Warrantholder will not be able to determine, at the time of exercise of a Warrant, the Spot AMEX Hong Kong 30 Index that will be used in calculating the Cash Settlement Value of such Warrant (and will thus be unable to determine such Cash Settlement Value). In addition, the Valuation Date for exercised Warrants may be postponed upon the occurrence and continuation of an Extraordinary Event or an Exercise Limitation Event (see "Description of

- -----

\* Refer to "Index of Key Terms" attached hereto as Appendix B for a listing of defined terms and pages on which they are defined in this Prospectus Supplement.

S-9

10

the Warrants -- Extraordinary Events and Exercise Limitation Events" herein) or as a result of the exercise of a number of Warrants exceeding the limits on exercise described below under "Description of the Warrants -- Maximum Exercise Amount." Any upward movement in the level of the AMEX Hong Kong 30 Index between the time a Warrantholder submits an Exercise Notice and the time the Spot AMEX Hong Kong 30 Index for such exercise is determined (which period will, at a minimum, represent an entire Hong Kong Business Day and, in the case of a Valuation Date postponed following an Extraordinary Event or an Exercise Limitation Event or as a result of there being exercised a number of Warrants exceeding the maximum permissible amount, may be substantially longer) will, subject to the Limit Option described below and under "Description of the



Warrants -- Limit Option" herein, result in such Warrantholder receiving a Cash Settlement Value or Alternative Settlement Amount (including a zero Alternative Settlement Amount) that is less than the Cash Settlement Value anticipated by such Warrantholder based on the closing level of the AMEX Hong Kong 30 Index most recently reported prior to exercise. The AMEX will calculate the AMEX Hong Kong 30 Index once each Index Calculation Day based upon the most recent official closing prices of each of the Underlying Stocks as reported by the HKSE. Due to time differences, trading on the HKSE occurs when the AMEX is closed for business.

The Warrants will originally be issued as certificates in registered form. Accordingly, a beneficial owner of Warrants holding such Warrants indirectly (for instance, through a broker that holds such Warrants in "street name") may exercise such Warrants only through such owner's registered holder. In the case of a beneficial owner holding Warrants through his broker in "street name" who wishes to exercise his Warrants, such beneficial owner must direct his broker, who may in turn need to direct another intermediary, to deliver an Exercise Notice and the related Warrants to the Warrant Agent. To ensure that an Exercise Notice and the related Warrants will be delivered to the Warrant Agent before 3:00 P.M., New York City time, on a particular New York Business Day, a beneficial holder of Warrants may need to give exercise instructions to his broker or other intermediary substantially earlier than 3:00 P.M., New York City time, on such day. Different brokerage firms may have different cut-off times and other exercise mechanics. See "-- Exercise and Settlement of Warrants" and "-- Limit Option" under "Description of the Warrants" herein.

Forty-five calendar days after the closing of the offering (which closing date is expected to be January , 1994), each Warrantholder will have the option to convert the form in which such Warrantholder holds his Warrants from certificated to book-entry form (the "Conversion Option"). Such conversion will occur through the facilities of The Depository Trust Company, New York, New York ("DTC", which term, as used herein and in the Prospectus, includes any successor depository selected by the Company). In addition, Warrant certificates held through the facilities of CEDEL or Euroclear (as such terms are hereinafter defined) will automatically be exchanged into book-entry form by CEDEL or Euroclear, as the case may be, pursuant to the Conversion Option on the last day of the Conversion Option Period (as hereinafter defined) without action of, or consent by, the beneficial owner of the related Warrants. Accordingly, Warrantholders holding their Warrants through CEDEL or Euroclear who do not wish to convert the form in which they hold such Warrants to book-entry form must arrange to transfer their Warrants out of the CEDEL or Euroclear systems, as the case may be, prior to the last day of the Conversion Option Period. See "Description of the Warrants -- Book-Entry Conversion" and "-- CEDEL and Euroclear" herein and "Description of the Warrants -- Book-Entry Procedures and Settlement" in the Prospectus. To exercise Warrants, a Warrantholder who has utilized the Conversion Option must direct a broker, who may in turn need to direct a Participant (as defined in the Prospectus under "Description of Warrants -- Book-Entry Procedures and Settlement"), to transfer Warrants held by DTC on behalf of such Warrantholder and to submit an Exercise Notice to the Warrant Agent. A Warrantholder may desire that the New York Business Day on which his Warrants and an Exercise Notice are delivered on his behalf to the Warrant Agent will constitute the Exercise Date for the Warrants being exercised (for example, to utilize the Limit Option most effectively). To achieve such objective, the Warrantholder must cause such Warrants to be transferred free on the records of DTC to, and such Exercise Notice to be received by, the Warrant Agent at or prior to 3:00 P.M., New York City time, on such New York Business Day; provided, however, that in the case of Warrants held through CEDEL or Euroclear, the Warrants must be transferred to the Warrant Agent prior to 3:00 P.M., New York City time, on the relevant Valuation Date. To ensure that such Warrants and Exercise Notice will be received by the Warrant Agent at or prior to such time, such Warrantholder must give the appropriate directions to his broker

S-10

11

before such broker's (and, if such broker is not a Participant, the applicable Participant's) cut-off time for accepting exercise instructions from customers



for that day. Different brokerage firms may have different cut-off times for accepting and implementing exercise instructions from their customers. Therefore, Warrantheolders holding their Warrants in book-entry form should consult with their brokers or other intermediaries, if applicable, as to applicable cut-off times and other exercise mechanics. See "-- Exercise and Settlement of Warrants" and "-- Limit Option" under "Description of the Warrants" herein. FORMS OF EXERCISE NOTICE FOR WARRANTS HELD IN BOOK-ENTRY FORM MAY BE OBTAINED AT THE WARRANT AGENT'S OFFICE (AS HEREINAFTER DEFINED), DURING THE WARRANT AGENT'S NORMAL BUSINESS HOURS. SEE "DESCRIPTION OF THE WARRANTS - -- GENERAL" HEREIN.

If the Company determines that an Extraordinary Event or an Exercise Limitation Event has occurred and is continuing on any day that would otherwise be a Valuation Date for any exercised Warrant, then the Valuation Date for such Warrant will be postponed to the next Index Calculation Day following the Hong Kong Business Day on which there is no Extraordinary Event or Exercise Limitation Event; provided that if the postponed Valuation Date has not occurred on or prior to the Expiration Date or the Delisting Date, the Warrantheolders will receive the Alternative Settlement Amount (as described below) in lieu of the Cash Settlement Value; provided, further, that, in the case of an Extraordinary Event, if the Company determines that such Extraordinary Event is expected to continue and the Company notifies the Warrant Agent that it is cancelling the Warrants, then the date on which such notice is given (whether or not such date is a New York Business Day) will become the Valuation Date for such Warrant, in which case such Warrantheolder will receive, in lieu of the Cash Settlement Value of such Warrant, the Alternative Settlement Amount thereof, which is equal to the greater of (a) the average of the last sale prices, if available, of the Warrants on the AMEX (or any successor United States securities exchange on which the Warrants are listed) on the 30 trading days preceding the date on which such Extraordinary Event was declared and (b) an amount equal to the sum of the Cash Settlement Value of the Warrants on such Valuation Date and a ratable portion of the initial offering price of the Warrants, in each case subject to certain exceptions and adjustments. The Cash Settlement Value or the Alternative Settlement Amount of a Warrant determined as of any such postponed Valuation Date may be substantially lower (including zero) than the otherwise applicable Cash Settlement Value thereof. See "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein, which includes a description of events, circumstances or causes constituting Extraordinary Events and Exercise Limitation Events.

The level of the AMEX Hong Kong 30 Index will determine whether the Warrants have a Cash Settlement Value greater than zero on any given day. The Warrants will be "at-the-money" (i.e., their Cash Settlement Value will be zero) when initially offered and will be "in-the-money" (i.e., their Cash Settlement Value will be greater than zero) on any given day only if the level of the AMEX Hong Kong 30 Index decreases so that the Spot AMEX Hong Kong 30 Index is below the Strike AMEX Hong Kong 30 Index (i.e., if the level of the AMEX Hong Kong 30 Index is below ). A decrease in the level of the AMEX Hong Kong 30 Index will result in a greater Cash Settlement Value, and an increase in the level of the AMEX Hong Kong 30 Index will result in a lesser or zero Cash Settlement Value. Potential profit or loss upon exercise (including automatic exercise) of a Warrant will be a function of the Cash Settlement Value (or, if applicable, the Alternative Settlement Amount) of such Warrant upon exercise, the purchase price of such Warrant and any related transaction costs.

If a Warrant is not exercised prior to 3:00 P.M., New York City time, on (i) the New York Business Day preceding the Expiration Date (as hereinafter defined) or (ii) the Delisting Date and if the Spot AMEX Hong Kong 30 Index equals or exceeds the Strike AMEX Hong Kong 30 Index on the appropriate Valuation Date, such Warrant will expire worthless and the Warrantheolder will have sustained a total loss of the purchase price of such Warrant. See "Risk Factors" in the Prospectus.

Investment decisions relating to international stock index warrants require the investor to predict the direction of movements in the underlying index as well as the amount and timing of those movements. International stock index warrants may change substantially in value, or lose all of their value, with relatively small movements in the underlying index. Moreover, an index warrant is a "wasting asset" in that, in the absence of countervailing factors, such as

an index warrant will tend to decrease over time and the warrant will have no market value after the time for exercise has expired. Accordingly, international stock index warrants involve a high degree of risk and are not appropriate for every investor. Investors who are considering purchasing the Warrants must be able to understand and bear the risk of a speculative investment in the Warrants and be experienced with respect to options and option transactions and understand the risks of stock index transactions. Such investors should reach an investment decision only after careful consideration, with their advisers, of the suitability of the Warrants in light of their particular financial circumstances and the information set forth in this Prospectus Supplement and in the Prospectus. The AMEX requires that the Warrants be sold only to investors whose accounts have been approved for options trading. In addition, the AMEX requires that its members and member organizations and registered employees thereof make certain suitability determinations before recommending transactions in Warrants. Before making any investment in the Warrants, it is important that a prospective investor become informed about and understand the nature of the Warrants in general, the specific terms of the Warrants and the nature of the underlying international stock index. An investor should understand the consequences of liquidating his investment in an index warrant by exercising it as opposed to selling it. It is especially important for an investor to be familiar with the procedures governing the exercise of international stock index warrants, since a failure to properly exercise a warrant prior to its expiration could result in the loss of his entire investment. This includes knowing when warrants are exercisable and how to exercise them.

Except in the case of automatic exercise, a Warrantholder may be able to limit to some extent the risk associated with any such upward movement in the AMEX Hong Kong 30 Index between an Exercise Date and the applicable Valuation Date if such Warrantholder, in connection with an exercise of Warrants, elects the Limit Option. Pursuant to the Limit Option, Warrants tendered for exercise will not be exercised if the Spot AMEX Hong Kong 30 Index as of the applicable Valuation Date is 20 or more points higher than the closing level of the AMEX Hong Kong 30 Index on the applicable Exercise Date or, if such date is not an Index Calculation Day, on the immediately preceding Index Calculation Day. See "Description of the Warrants -- Limit Option" herein. However, in the event of the occurrence of an Extraordinary Event resulting in the payment to Warrantholders of an Alternative Settlement Amount in lieu of the Cash Settlement Value, the Limit Option will not preclude the exercise of Warrants as described herein under "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events".

A Warrantholder may exercise no fewer than 500 Warrants at any time, except in the case of automatic exercise. Accordingly, except in the case of automatic exercise of the Warrants, Warrantholders with fewer than 500 Warrants will need either to sell their Warrants or to purchase additional Warrants, thereby incurring transaction costs, in order to realize upon their investment.

Potential investors should be aware that PaineWebber, in its capacity as Determination Agent, is under no obligation to take the interests of the Company or the Warrantholders into consideration in the event it determines, composes or calculates the Cash Settlement Value. PaineWebber and its affiliates may from time to time engage in transactions involving the Underlying Stocks for their proprietary accounts and for other accounts under their management, which may influence the value of such Underlying Stocks. PaineWebber and its affiliates will also be the writers of the hedge of the Company's obligations under the Warrants and will be obligated to pay to the Company upon exercise of the Warrants an amount equal to the value of the Warrants. Accordingly, under certain circumstances, conflicts of interest may arise between PaineWebber's responsibilities as Determination Agent with respect to the Warrants and its obligations under its hedge. In addition, because PaineWebber is an affiliate of the Company, certain conflicts of interest may arise in connection with PaineWebber performing its role as Determination Agent. PaineWebber, as a registered broker-dealer, is required to maintain policies and procedures

regarding the handling and use of confidential proprietary information, and such policies and procedures will be in effect throughout the term of the Warrants to restrict the use of information relating to the calculation of the Cash Settlement Value prior to its dissemination. PaineWebber is also obligated to carry out its duties and functions as Determination Agent in good faith and using its reasonable judgment.

S-12

13

THE INITIAL OFFERING PRICE OF THE WARRANTS MAY BE IN EXCESS OF THE PRICE THAT A COMMERCIAL USER OF OPTIONS ON THE AMEX HONG KONG 30 INDEX MIGHT PAY FOR A COMPARABLE OPTION IN A PRIVATE, LESS LIQUID TRANSACTION.

Since the Cash Settlement Value of a Warrant will be determined using a fixed Hong Kong dollar/U.S. dollar exchange rate, prospective purchasers intending to utilize the Warrants to hedge a Hong Kong stock portfolio against currency risk should recognize that the effect of changes in the Hong Kong dollar/U.S. dollar exchange rate on the value of such portfolio may not be fully hedged by holding the Warrants. On October 17, 1983, after a period of instability in the exchange rate of the Hong Kong dollar, a revised exchange rate system was introduced. Under this system, any bank in Hong Kong which is authorized by law to issue Hong Kong dollar bank notes is required to hold, as cover for such issuance, certificates of indebtedness issued by the Hong Kong Government. Such certificates of indebtedness are issued and redeemed by the Hong Kong Government against payments in U.S. dollars at a fixed exchange rate of H.K.\$7.80 to U.S.\$1.00. There can be no assurance as to whether such fixed exchange rate between the Hong Kong dollar and the U.S. dollar will remain in effect or be changed. Since January 29, 1988, the market exchange rate between the U.S. dollar and the Hong Kong dollar has varied within H.K.[\$7.82 and H.K.\$7.72] per U.S.\$1.00 (based on data from The Federal Reserve Bank of New York). See also "Risk Factors -- Certain Considerations Regarding Hedging" in the Prospectus.

On January , 1994, the closing level of the AMEX Hong Kong 30 Index was .

References herein to "U.S. dollar", "U.S.\$" or "\$" are to the lawful currency of the United States of America. References to "Hong Kong dollar" or "H.K.\$" are to the lawful currency of Hong Kong. As used herein, "New York Business Day" means any day other than a Saturday or a Sunday or a day on which either the AMEX or the New York Stock Exchange is not open for securities trading or commercial banks in New York City are required or authorized by law or executive order to remain closed, and "Hong Kong Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banks in Hong Kong are not open for a full day of business. As used herein, "Index Calculation Day" means any day on which the AMEX Hong Kong 30 Index or any Successor Index is calculated and published.

#### CERTAIN IMPORTANT INFORMATION RELATING TO CHINA

Although the AMEX has represented that none of the companies whose stocks comprise the AMEX Hong Kong 30 Index is or will be organized under the laws of the People's Republic of China ("China"), the level of the AMEX Hong Kong 30 Index nonetheless can be affected by developments in China. China currently indirectly influences political and economic developments in various parts of Asia, including Hong Kong, and its influence is expected to continue to grow. Political, economic or social developments in, and diplomatic and other developments associated with, China could affect economic conditions in Hong Kong and on the market prices and liquidity of securities traded on the HKSE, including the Underlying Stocks. Moreover, many of the issuers of the Underlying Stocks have substantial investments in China, which investments could be affected by political, economic, market and other developments in or affecting China. Accordingly, political or economic developments in China could affect the level of the AMEX Hong Kong 30 Index and thus the value of the Warrants.

On December 19, 1984, the Government of the United Kingdom and the Government of China signed a Joint Declaration under which sovereignty over Hong

Kong will be transferred from the United Kingdom to China on July 1, 1997. Pursuant to the Joint Declaration, China promulgated on April 4, 1990 the Basic Law (the "Basic Law") setting out the terms under which Hong Kong will operate from 1997 as a Special Administrative Region of China.

It is not clear how future developments in Hong Kong and China may affect the implementation of the Basic Law after the transfer of sovereignty in 1997. As a result of this political and legal uncertainty, the economic prospects of Hong Kong and the companies whose stocks comprise the AMEX Hong Kong 30 Index are uncertain. Accordingly, the HKSE has been, and can be expected to remain, volatile and sensitive to political developments with regard to Hong Kong's future and perceptions of actual or potential political developments of that kind. For this reason, among others, the AMEX Hong Kong 30 Index and the value of the Warrants can also be expected to be volatile.

S-13

14

#### USE OF PROCEEDS

A substantial portion of the proceeds to be received by the Company from the sale of the Warrants will be used by the Company or one or more of its subsidiaries in connection with hedging the Company's obligations under the Warrants. Such hedging activities are expected to include purchasing or maintaining positions in a variety of financial instruments relating to the AMEX Hong Kong 30 Index and the Underlying Stocks and the Hong Kong dollar/U.S. dollar exchange rate (which may include certain types of instruments that entail only potential payments upon closeout but not up-front acquisition costs). The conduct of such hedging activities will not be limited to any particular securities or futures exchange. Depending on future market conditions and the actual number of Warrants outstanding from time to time, among other things, the aggregate amount and the composition of such positions are likely to vary over time. The remainder of the proceeds, if any, will be used for general corporate purposes.

#### DESCRIPTION OF THE WARRANTS

##### GENERAL

The Warrants will be issued pursuant to a Warrant Agreement (the "Warrant Agreement"), to be dated as of January , 1994 among the Company, Citibank, N.A., as Warrant Agent (the "Warrant Agent"), and PaineWebber Incorporated as Determination Agent. The following summaries of certain provisions of the Warrants and the Warrant Agreement do not purport to be complete and are subject to, and qualified in their entirety by reference to, all of the provisions of the Warrant Agreement (including the form of Warrant certificate and form of global Warrant certificate attached as exhibits thereto). The Warrant Agreement will be available for inspection by any Warrantholder at the office of the Warrant Agent (the "Warrant Agent's Office"), which is currently located at 111 Wall Street, 5th Floor, New York, New York 10043, during the Warrant Agent's normal business hours. See "Description of Warrants" in the Prospectus.

The aggregate number of Warrants to be issued will be 2,000,000, subject to the right of the Company to "reopen" the issue of Warrants and issue additional Warrants with substantially identical terms at a later time. See "Underwriting".

A Warrant will not require or entitle a Warrantholder to sell or deliver any shares of any component stock underlying the AMEX Hong Kong 30 Index or any Successor Index (an "Underlying Stock") or any other securities to the Company. Upon exercise of a Warrant, the Company will make only a U.S. dollar cash payment in the amount of the Cash Settlement Value or Alternative Settlement Amount, if any and as applicable, of such Warrant. The Company is under no obligation to, nor will it, purchase or take delivery of any shares of any Underlying Stock or any other securities from Warrantholders in connection with the exercise of any Warrants. Warrantholders will not receive any interest on any Cash Settlement Value or Alternative Settlement Amount, and the Warrants will not entitle the Warrantholders to any of the rights of holders of any Underlying Stock or any other securities.

The AMEX has advised the Company that the Warrants shall, for margin purposes, be treated as if they were option contracts subject to AMEX Rule 462(d) relating to Minimum Margins.

CASH SETTLEMENT VALUE

Each Warrant will entitle the Warrantholder to receive, upon exercise (including automatic exercise), the Cash Settlement Value of such Warrant, except that, under the circumstances described under "-- Extraordinary Events and Exercise Limitation Events" below, such Warrantholder may instead receive the Alternative Settlement Amount for such Warrant. The Cash Settlement Value of a Warrant will be an amount in U.S. dollars equal to the quotient (rounded down to the nearest cent) of (A) the amount, if any, by which the Strike AMEX Hong Kong 30 Index exceeds the Spot AMEX Hong Kong 30 Index for the

S-14

15

Valuation Date for such Warrant, divided by (B) three, divided by (C) a fixed Hong Kong dollar/U.S. dollar exchange rate of H.K.\$ per U.S.\$1.00, as indicated in the following formula:

$$\text{Cash Settlement Value} = \frac{\left( \text{Spot AMEX Hong Kong 30 Index} - \text{Strike AMEX Hong Kong 30 Index} \right)}{3} \times \text{H.K. \$ exchange rate}$$

HYPOTHETICAL WARRANT VALUES ON EXERCISE

Set forth below is a hypothetical example demonstrating the Cash Settlement Values of a Warrant at the Strike AMEX Hong Kong 30 Index and at various levels of the Spot AMEX Hong Kong 30 Index. The Cash Settlement Value numbers in the table have been rounded to two decimal places.

	HYPOTHETICAL SPOT AMEX HONG KONG 30 INDEX	APPROXIMATE CASH SETTLEMENT VALUE (ALSO KNOWN AS "INTRINSIC VALUE") OF PUT WARRANTS(1)
Equal to or greater than	600(Strike)	U.S.\$0.00
	550	2.16
	500	4.32
	450	6.47
	400	8.63

(1) Based on a fixed exchange rate of H.K.\$7.725 per U.S.\$1.00 and a hypothetical strike index level of 600, exclusive of time value. The time value of each Warrant will decline as the Expiration Date approaches, reaching zero on the Expiration Date. Investors will receive only the cash settlement value if the Warrants are exercised. If traded on the AMEX, investors will receive the market value of the Warrants, which includes the Cash Settlement Value plus any remaining time value. On the Expiration Date, Warrants that are "in-the-money" will be automatically exercised.

WARRANT CERTIFICATES

The Warrants will be issued as certificates in registered form (each, a "Warrant Certificate"). The Warrant Agent will from time to time register the transfer of any outstanding Warrant Certificate upon surrender thereof at the Warrant Agent's Office duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent and the

Company duly executed by the registered holder thereof, a duly appointed legal representative or a duly authorized attorney. Such signature must be guaranteed by a bank or trust company having a correspondent office in New York City or a member of a national securities exchange. A new Warrant Certificate will be issued to the transferee upon any such registration of transfer.

At the option of a Warrantholder, Warrant Certificates may be exchanged for other Warrant Certificates representing a like number of Warrants upon surrender to the Warrant Agent at the Warrant Agent's Office of the Warrant Certificates to be exchanged. The Company will thereupon execute, and the Warrant Agent will countersign and deliver, one or more new Warrant Certificates representing such like number of Warrants.

In the event that, after any exercise of Warrants evidenced by a Warrant Certificate, the number of Warrants exercised is fewer than the total number of Warrants evidenced by such certificate, a new Warrant Certificate evidencing the number of Warrants not exercised will be issued to the registered holder or his assignee. See "-- Minimum Exercise Amount" below.

If any Warrant Certificate is mutilated, lost, stolen or destroyed, the Company may in its discretion execute, and the Warrant Agent may countersign and deliver, in exchange and substitution for such mutilated Warrant Certificate, or in replacement for such lost, stolen or destroyed Warrant Certificate, a new Warrant Certificate representing a like number of Warrants, but only (in the case of loss, theft or destruction) upon receipt of evidence satisfactory to the Company and the Warrant Agent of loss, theft or destruction of such Warrant Certificate and security or indemnity, if requested, satisfactory to them. Warrantholders requesting replacement Warrant Certificates must also comply with such other reasonable regulations and pay such

S-15

16

reasonable charges as the Company or the Warrant Agent may prescribe. In case all of the Warrants represented by any such mutilated, lost, stolen or destroyed Warrant Certificate have been or are about to be exercised (including automatic exercise), the Company in its discretion may, instead of issuing a new Warrant Certificate, direct the Warrant Agent to treat such Warrant Certificate the same as if the Warrant Agent had received an Exercise Notice in proper form in respect thereof or as being subject to automatic exercise, as the case may be.

No service charge will be made for any registration of transfer or exchange of Warrant Certificates, but the Company may require the payment of a sum sufficient to cover any tax or governmental charge that may be imposed in relation thereto, other than exchanges not involving any transfer. In the case of the replacement of mutilated, lost, stolen or destroyed Warrant Certificates, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Warrant Agent) connected therewith.

Warrant Certificates held through CEDEL will be held by Citibank, N.A. ("Citibank"), as custodian for CEDEL, and Warrant Certificates held through Euroclear will be held by Morgan Guaranty Trust Company of New York ("Morgan"), as custodian for Euroclear. After the last day of the Conversion Option Period, Warrantholders may no longer hold certificated positions through CEDEL or Euroclear. See "-- Book-Entry Conversion" herein.

#### BOOK-ENTRY CONVERSION

Forty-five calendar days after the closing of the offering (which closing date is expected to be January , 1994), each Warrantholder will have the option to convert the form in which such Warrantholder holds his Warrants from definitive to book-entry form by utilizing the Conversion Option. The Conversion Option will be available for 45 calendar days (the "Conversion Option Period") and is expected to run from March , 1994 through April , 1994.

In order to be exchanged for a Warrant in book-entry form, a Warrant



Certificate must be delivered to DTC, in proper form for deposit, by a Participant. Accordingly, a Warrantholder who is not a Participant (other than a Warrantholder holding Warrants through CEDEL or Euroclear) must deliver his Warrant Certificate, in proper form for deposit, to a Participant, either directly or through an indirect participant (such as a bank, brokerage firm, dealer or trust company that clears through, or maintains a custodial relationship with, a Participant) or brokerage firm which maintains an account with a Participant, in order to have its Warrant Certificate exchanged for a Warrant in book-entry form. Such Warrantholders who desire to exchange their Warrant Certificates for Warrants in book-entry form should contact their brokers or other Participants or indirect participants to obtain information on procedures for submitting their Warrant Certificates to DTC, including the proper form for submission and (during the Conversion Option Period) the cut-off times for same day and next day exchange. Warrant Certificates which are held by the Warrantholder in nominee or "street" name may be automatically exchanged into book-entry form by the broker or other entity in whose name such Warrant Certificates are registered, without action of, or consent by, the beneficial owner of the related Warrant. In addition, Warrant Certificates held through the facilities of CEDEL or Euroclear will automatically be exchanged into book-entry form by CEDEL or Euroclear, as the case may be, pursuant to the Conversion Option on the last day of the Conversion Option Period without action of, or consent by, the beneficial owner of the related Warrants. Accordingly, Warrantholders holding their Warrants through CEDEL or Euroclear who do not wish to convert the form in which they hold such Warrants to book-entry form must arrange to transfer their Warrants out of the CEDEL or Euroclear systems, as the case may be, prior to the last day of the Conversion Option Period. Thereafter, Warrantholders may no longer hold certificated Warrants through the facilities of CEDEL or Euroclear.

Warrant Certificates received by DTC for exchange during the Conversion Option Period will be exchanged for Warrants in book-entry form by the close of business on the New York Business Day that such Certificates are received by DTC (if received by DTC at its then applicable cut-off time for same day credit) or on the following New York Business Day (if received by DTC at its then applicable cut-off time for next day credit). After the last day of the Conversion Option Period, DTC will not be required to accept delivery of Warrant Certificates in exchange for book-entry Warrants, but may permit Warrant Certificates to be so

S-16

17

exchanged on a case-by-case basis. However, there can be no assurance that such Warrant Certificates will be accepted for exchange. Warrants surrendered at any time for exchange for book-entry Warrants may not be exercised or delivered for settlement or transfer until such exchange has been effected. Accordingly, if a decrease in the value of the AMEX Hong Kong 30 Index were to occur after a Warrant Certificate had been surrendered for exchange into book-entry form, a Warrantholder would not be able to take advantage of the decrease by exercising his Warrant until such exchange had been effected. Since Warrant Certificates are not required to be exchanged for Warrants in book-entry form, it is likely that not all Warrant Certificates will be so exchanged. Accordingly, Warrantholders purchasing Warrants in secondary market trading after commencement of the Conversion Option Period may wish to make specific arrangements with brokers or other Participants or indirect participants if they wish to purchase Warrants in book-entry form only and not Warrant Certificates. The Company has been informed by CEDEL and Euroclear that such clearing agencies will only clear Warrants in book-entry form after the Conversion Option Period.

Once a Warrantholder has elected the Conversion Option, such Warrantholder may hold his Warrants only in book-entry form and will not be able to change his election or withdraw from the book-entry system during the Conversion Option Period or thereafter. Accordingly, except in certain limited circumstances described in the Prospectus under "Description of Warrants -- Book-Entry Procedures and Settlement", ownership of the Warrants in certificated form will no longer be available to investors who have elected the Conversion Option.

CEDEL AND EUROCLEAR

Warrantheolders may hold their Warrants in either book-entry or certificated form through CEDEL or Euroclear if they are participants of such systems, or indirectly through organizations which are participants in such systems. The common security registration number used by CEDEL and Euroclear for the Warrants is . While Warrantheolders may initially hold their Warrants in certificated form through CEDEL or Euroclear, as described above under "-- Book-Entry Conversion", it is anticipated that Warrant Certificates held through such systems will be converted into book-entry form on the last day of the Conversion Option Period and, accordingly, certificated ownership of Warrants will no longer be available through such systems after such day.

CEDEL and Euroclear will hold omnibus certificated positions and omnibus book-entry positions on behalf of their participants through customers' securities accounts in CEDEL's and Euroclear's names on the books of their respective depositaries which in turn will, in the case of certificated positions only, hold such positions in customers' securities accounts in the depositaries' names on the books of DTC. Citibank will act as depositary for CEDEL and Morgan will act as depositary for Euroclear (in such capacities, the "Depositaries"). All securities in CEDEL or Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Exercises of certificated Warrants by persons holding through CEDEL or Euroclear participants will be effected through Citibank or Morgan, as the case may be; however, such transactions will require delivery of exercise instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the exercise meets its requirements, deliver instructions to its Depositary to take action to effect the exercise of the Warrants on its behalf by delivering Warrants to the Warrant Agent, and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the certificated Warrants held through CEDEL or Euroclear will be credited to the cash accounts of CEDEL participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its Depositary. See "-- Exercise and Settlement of the Warrants" herein.

Exercises of book-entry Warrants by persons holding through CEDEL or Euroclear participants will be effected through DTC, in accordance with DTC rules, on behalf of the relevant European international clearing system by its Depositary; however, such transactions will require delivery of exercise instructions to the relevant European international clearing system by the participant in such system in accordance with its

S-17

18

rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the exercise meets its requirements, deliver instructions to its Depositary to take action to effect its exercise of the Warrants on its behalf by delivering Warrants through DTC and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the Warrants held through CEDEL or Euroclear will be credited to the cash accounts of CEDEL participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its Depositary. See "-- Exercise and Settlement of the Warrants" herein.

Centrale de Livraison de Valeurs Mobilieres S.A. ("CEDEL") is incorporated under the laws of Luxembourg as a professional depository. CEDEL holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between CEDEL participants through electronic book-entry changes in accounts of CEDEL participants, thereby eliminating the need for physical movement of certificates. Transactions may be settled in CEDEL in any of 28 currencies, including U.S. dollars. CEDEL provides to its participants, among other things, services for safekeeping,



administration, clearance and settlement of internationally traded securities and securities lending and borrowing. CEDEL interfaces with domestic markets in several countries. As a professional depository, CEDEL is subject to regulation by the Luxembourg Monetary Institute. CEDEL participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the Underwriters. Indirect access to CEDEL is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a CEDEL participant, either directly or indirectly.

The Euroclear System was created in 1968 to hold securities for participants in the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in any of 27 currencies, including U.S. dollars. The Euroclear System includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. The Euroclear System is operated by Morgan's Brussels, Belgium office (the "Euroclear Operator" or "Euroclear"), under contract with Euroclear Clearance System S.C., a Belgian cooperative corporation (the "Cooperative"). Morgan is a member bank of the United States Federal Reserve System. All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear System on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Underwriters. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within the Euroclear System, withdrawal of securities and cash from the Euroclear System, and receipt of payments with respect to securities in the Euroclear System. All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

All information herein on CEDEL and Euroclear is derived from CEDEL or Euroclear, as the case may be, and reflects the policies of such organizations; such policies are subject to change without notice.

S-18

19

#### EXERCISE AND SETTLEMENT OF WARRANTS

The Warrants will be immediately exercisable upon issuance, subject to postponement upon the occurrence of an Extraordinary Event or an Exercise Limitation Event as described under "-- Extraordinary Events and Exercise Limitation Events" herein, and will expire on January 17, 1996 (the "Expiration Date"). Warrants not exercised (including by reason of any such postponed exercise) at or before 3:00 P.M., New York City time, on the earlier of (i) the New York Business Day immediately preceding the Expiration Date and (ii) the Delisting Date, will be automatically exercised as described under "-- Automatic Exercise" below. See "-- Minimum Exercise Amount" and "-- Maximum Exercise Amount" below.

A Warrantholder may exercise certificated Warrants on any New York Business Day during the period from the date of issuance of such Warrants until 3:00

P.M., New York City time, on the earlier of (i) the New York Business Day immediately preceding the Expiration Date and (ii) the Delisting Date, by delivering or causing to be delivered to the Warrant Agent the Warrant Certificate representing such Warrants with the irrevocable notice of exercise on the reverse thereof (or a notice of exercise in substantially identical form delivered therewith) (such notice, an "Exercise Notice") duly completed and executed. The Warrant Agent's telephone number and facsimile transmission number for this purpose are (212) 657-7269 and (212) 825-3483, respectively.

In the case of Warrants held through the facilities of DTC, a Warrantholder may exercise such Warrants on any New York Business Day during the period from the date of issuance of such Warrants until 3:00 P.M., New York City time, on the earlier of (i) the New York Business Day immediately preceding the Expiration Date and (ii) the Delisting Date, by causing (x) such Warrants to be transferred free to the Warrant Agent on the records of DTC and (y) a duly completed and executed Exercise Notice to be delivered by a Participant on behalf of the Warrantholder to the Warrant Agent. Forms of Exercise Notice for Warrants held through the facilities of DTC may be obtained from the Warrant Agent at the Warrant Agent's Office. The Warrant Agent's telephone number and facsimile transmission number for this purpose are (201) 262-5444 and (201) 262-7521, respectively.

In the case of book-entry Warrants held through the facilities of CEDEL or Euroclear, a Warrantholder may exercise such Warrants on any New York Business Day during the period from the date of issuance of such Warrants until 3:00 P.M., New York City time, on the earlier of (i) the New York Business Day immediately preceding the Expiration Date and (ii) the Delisting Date by causing (x) such Warrants to be transferred to the Warrant Agent, by giving appropriate instructions to the participant holding such Warrants in either the CEDEL or Euroclear system, as the case may be, and (y) a duly completed and executed Exercise Notice to be delivered on behalf of the Warrantholder by CEDEL, in the case of Warrants held through CEDEL, or such participant, in the case of Warrants held through Euroclear, to the Warrant Agent. Forms of Exercise Notice for Warrants held through the facilities of either CEDEL or Euroclear may be obtained from the Warrant Agent at the Warrant Agent's Office or from CEDEL or Euroclear.

Except for Warrants subject to automatic exercise or held through the facilities of CEDEL or Euroclear, and subject to the Limit Option, the "Exercise Date" for a Warrant will be (i) the New York Business Day on which the Warrant Agent receives the Warrant and Exercise Notice in proper form with respect to such Warrant, if received at or prior to 3:00 P.M., New York City time, on such day, or (ii) if the Warrant Agent receives such Warrant and Exercise Notice after 3:00 P.M., New York City time, on a New York Business Day, then the New York Business Day next succeeding such New York Business Day.

In the case of Warrants held through the facilities of CEDEL or Euroclear, except for Warrants subject to automatic exercise, and subject to the Limit Option, the "Exercise Date" for a Warrant will be (i) the New York Business Day on which the Warrant Agent receives the Exercise Notice in proper form with respect to such Warrant if such Exercise Notice is received at or prior to 3:00 P.M., New York City time, on such day, provided that the Warrant is received by the Warrant Agent by 3:00 P.M., New York City time, on the Valuation Date, or (ii) if the Warrant Agent receives such Exercise Notice after 3:00 P.M., New York City time, on a New York Business Day, then the New York Business Day succeeding such New York Business Day, provided that the Warrant is received by 3:00 P.M., New York City time, on the Valuation Date relating to exercises of Warrants on such succeeding New York Business Day. In the event that the Warrant is

S-19

20

received after 3:00 P.M., New York City time, on the Valuation Date, then the Exercise Date for such Warrants will be the day on which such Warrants are received or, if such day is not a New York Business Day, the next succeeding New York Business Day. In the case of Warrants held through the facilities of CEDEL or Euroclear, in order to ensure proper exercise on a given New York Business

Day, participants in CEDEL or Euroclear must submit exercise instructions to CEDEL or Euroclear, as the case may be, by 10:00 A.M., Luxembourg time, in the case of CEDEL and by 10:00 A.M., Brussels time (by telex), or 11:00 A.M., Brussels time (by EUCLID), in the case of Euroclear. In addition, in the case of book-entry exercises by means of the Euroclear System, (i) participants must also transmit, by facsimile (facsimile number 201-262-7521), to the Warrant Agent a copy of the Exercise Notice submitted to Euroclear by 3:00 P.M., New York City time, on the desired Exercise Date and (ii) Euroclear must confirm by telex to the Warrant Agent by 9:00 A.M., New York City time, on the Valuation Date that the Warrants will be received by the Warrant Agent on such date; provided, that if such telex communication is received after 9:00 A.M., New York City time, on the Valuation Date, the Company will be entitled to direct the Warrant Agent to reject the related Exercise Notice or waive the requirement for timely delivery of such telex communication.

To ensure that an Exercise Notice and the related Warrants will be delivered to the Warrant Agent before 3:00 P.M., New York City time, on a given New York Business Day, a Warrantholder may need to give exercise instructions to his broker or other intermediary substantially earlier than 3:00 P.M., New York City time, on such day. Different brokerage firms may have different cut-off times for accepting and implementing exercise instructions from their customers. Therefore, Warrantholders should consult with their brokers and other intermediaries, if applicable, as to applicable cut-off times and other exercise mechanics. See "Certain Important Information Concerning the Warrants" above.

Except in the case of Warrants subject to automatic exercise and for Warrants that upon exercise will entitle the holder thereof to receive an Alternative Settlement Amount in lieu of the Cash Settlement Amount, if on any Valuation Date the Cash Settlement Amount for any Warrants would be zero, then the attempted exercise of any such Warrants will be void and of no effect and, in the case of certificated Warrants, the Warrant Certificate evidencing such Warrants will be returned to the registered holder by first class mail at the Company's expense or, in the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, such Warrants will be transferred back to the participant (including the Depositories) that submitted them free on the records of DTC, CEDEL or Euroclear, as the case may be, and, in any such case, such Warrantholder will be permitted to re-exercise such Warrants prior to the Expiration Date or the Delisting Date, as the case may be.

The "Valuation Date" for a Warrant will be the first Index Calculation Day following the applicable Exercise Date, subject to postponement upon the occurrence of an Extraordinary Event or an Exercise Limitation Event as described below under "-- Extraordinary Events and Exercise Limitation Events" or as a result of the exercise of a number of Warrants exceeding the limits on exercise described below under "-- Maximum Exercise Amount". The AMEX will calculate the AMEX Hong Kong 30 Index once on each Index Calculation Day based upon the most recent official closing prices of each of the Underlying Stocks as reported by the HKSE. Due to time differences, trading on the HKSE occurs when the AMEX is closed for business. The following is an illustration of the timing of an Exercise Date, the ensuing Valuation Date and the Limit Option Reference Index (as hereinafter defined), assuming (i) that all relevant dates are New York Business Days and Index Calculation Days, (ii) the absence of any intervening Extraordinary Event or Exercise Limitation Event and (iii) the number of exercised Warrants does not exceed the maximum permissible amount. If the Warrant Agent receives a Warrantholder's Warrants and Exercise Notice in proper form at or prior to 3:00 P.M., New York City time, on Wednesday, June 1, 1994, the Exercise Date for such Warrants will be June 1 and the Valuation Date for such Warrants will be Thursday, June 2, 1994 (except that in the case of Warrants held through the facilities of CEDEL or Euroclear, the Warrants must be received by 3:00 P.M., New York City time, on the Valuation Date; if such Warrants are received after such time, then the Exercise Date for such Warrants will be the day on which such Warrants are received or, if such day is not a New York Business Day, the next succeeding New York Business Day, and the Valuation Date for such Warrants will be the first Index Calculation Day following such Exercise Date and the Limit Option Reference Index will be determined by reference to such Exercise Date and Valuation Date). The Spot

AMEX Hong Kong 30 Index used to determine the Cash Settlement Value of such Warrants will be the closing level of the AMEX Hong Kong 30 Index on June 2 (i.e., the level of the AMEX Hong Kong 30 Index calculated using values for the Underlying Stocks as of the close of the HKSE on June 2 (assuming such day is a Hong Kong Business Day), which, because of time differences, will occur at 2:30 A.M., New York City time, on June 2 (or 3:30 A.M., New York City time, during the months in which Eastern Daylight Savings Time is in effect)). If the Warrantholder elected the Limit Option in connection with the exercise of such Warrants, the Limit Option Reference Index would be the closing level of the AMEX Hong Kong 30 Index on June 1. If the Warrant Agent were to receive such Warrantholder's Warrants and Exercise Notice after 3:00 P.M., New York City time, on June 1, 1994 (except that in the case of Warrants held through the facilities of CEDEL or Euroclear, the Warrants must be received by 3:00 P.M., New York City time, on December 2), then the Exercise Date for such Warrants would instead be June 2, the Valuation Date would be June 3 and the applicable Limit Option Reference Index would be the closing level of the AMEX Hong Kong 30 Index on June 2 (which will not have occurred at the time such Warrantholder tendered his Exercise Notice on June 1).

Following receipt of Warrants and the related Exercise Notice in proper form, the Warrant Agent will, not later than 5:00 P.M., New York City time, on the applicable Valuation Date (or, if such Valuation Date is not a New York Business Day, on the next succeeding New York Business Day) (i) obtain the Spot AMEX Hong Kong 30 Index (which will be the level of the AMEX Hong Kong 30 Index on such Valuation Date), (ii) determine the Cash Settlement Value of such Warrants and (iii) advise the Company of the aggregate Cash Settlement Value of the exercised Warrants. Except in the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, if the Company has made adequate funds available to the Warrant Agent in a timely manner as required by the Warrant Agreement, the Warrant Agent will thereafter be responsible for making payment available to each registered holder of a Warrant on the fifth New York Business Day following the Valuation Date (or, if the Valuation Date is not a New York Business Day, on the fifth New York Business Day following the New York Business Day next succeeding the Valuation Date) in the form of a cashier's check or official bank check or (in the case of payments of at least U.S.\$100,000) by wire transfer to a U.S. dollar bank account maintained by such holder in the United States (at such holder's election as specified in the applicable Exercise Notice), in an amount equal to the aggregate Cash Settlement Value of such holder's exercised Warrants. In the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, the Company will be required to make available to the Warrant Agent, no later than 3:00 P.M., New York City time, on the sixth New York Business Day following the Valuation Date (or, if the Valuation Date is not a New York Business Day, on the sixth New York Business Day following the New York Business Day next succeeding the Valuation Date), funds in an amount sufficient to pay such aggregate Cash Settlement Value. If the Company has made such funds available by such time, the Warrant Agent will thereafter be responsible for making funds available to each appropriate Participant (including Citibank and Morgan, who, in turn, will disburse payments to CEDEL and Euroclear, as the case may be, who will be responsible for disbursing such payments to each of their respective participants, who, in turn, will be responsible for disbursing payments to the Warrantholders it represents), and such Participant will be responsible for disbursing such payments to the Warrantholders it represents and to each brokerage firm for which it acts as agent. Each such brokerage firm will be responsible for disbursing funds to the Warrantholders it represents.

"Determination Agent" means PaineWebber or, in lieu thereof, another firm selected by the Company to perform the functions of the Determination Agent in connection with the Warrants. PaineWebber, in its capacity as Determination Agent, will have no obligation to take the interests of the Company or the Warrantholders into consideration in the event it determines, composes or calculates the Cash Settlement Value. PaineWebber and its affiliates may from time to time engage in transactions involving the Underlying Stocks for their proprietary accounts and for other accounts under their management, which may influence the value of such Underlying Stocks. PaineWebber and its affiliates will also be the writers of the hedge of the Company's obligations under the Warrants and will be obligated to pay to the Company upon exercise of the

Warrants an amount equal to the value of the Warrants. Accordingly, under certain circumstances, conflicts of interest may arise between PaineWebber's responsibilities as Determination Agent with respect to the Warrants and its obligations under its hedge. In addition, because PaineWebber is an affiliate of the Company,

S-21

22

certain conflicts of interest may arise in connection with PaineWebber performing its role as Determination Agent. PaineWebber, as a registered broker-dealer, is required to maintain policies and procedures regarding the handling and use of confidential proprietary information, and such policies and procedures will be in effect throughout the term of the Warrants to restrict the use of information relating to any calculation of the Cash Settlement Value prior to its dissemination. PaineWebber is also obligated to carry out its duties and functions as Determination Agent in good faith and using its reasonable judgment.

#### MINIMUM EXERCISE AMOUNT

No fewer than 500 Warrants may be exercised by a Warrantholder at any one time, except in the case of automatic exercise or exercise upon cancellation of the Warrants as described under "--Extraordinary Events and Exercise Limitation Events" below. Accordingly, except in the case of automatic exercise of the Warrants or upon cancellation of the Warrants, Warrantholders with fewer than 500 Warrants will need either to sell their Warrants or to purchase additional Warrants, thereby incurring transaction costs, in order to realize upon their investment. Warrantholders must satisfy the minimum exercise amount requirement described above separately with respect to both certificated and book-entry Warrants, even if both kinds of Warrants are to be exercised at the same time. Thus, a Warrantholder seeking to exercise both certificated and book-entry Warrants at the same time must still exercise a minimum of 500 of each kind of Warrant in order to satisfy such requirement. In addition, book-entry Warrants held through one Participant (including participants in CEDEL or Euroclear) may not be combined with book-entry Warrants held through another Participant in order to satisfy the minimum exercise requirement.

#### MAXIMUM EXERCISE AMOUNT

All exercises of Warrants (other than on the Expiration Date or the Delisting Date or upon cancellation of the Warrants as described under "--Extraordinary Events and Exercise Limitation Events" herein) are subject, at the Company's option, to the limitation that not more than 1,000,000 Warrants in total may be exercised on any Exercise Date and not more than 250,000 Warrants may be exercised by or on behalf of any person or entity, either individually or in concert with any other person or entity, on any Exercise Date. If any New York Business Day would otherwise, under the terms of the Warrant Agreement, be the Exercise Date in respect of more than 1,000,000 Warrants, then at the Company's election 1,000,000 of such Warrants shall be deemed exercised on such Exercise Date (selected by the Warrant Agent on a pro rata basis, but if, as a result of such pro rata selection, any registered holders of Warrants would be deemed to have exercised fewer than 500 Warrants, then the Warrant Agent shall first select additional of such holders' Warrants so that no holder shall be deemed to have exercised fewer than 500 Warrants), and the remainder of such Warrants (the "Remaining Warrants") shall be deemed exercised on the following New York Business Day (subject to successive applications of this provision); provided, that any Remaining Warrant for which an Exercise Notice was delivered on a given Exercise Date shall be deemed exercised before any other Warrants for which an Exercise Notice was delivered on a later Exercise Date. If any individual Warrantholder attempts to exercise more than 250,000 Warrants on any New York Business Day, then at the Company's election 250,000 of such Warrants shall be deemed exercised on such New York Business Day and the remainder shall be deemed exercised on the following New York Business Day (subject to successive applications of this provision). As a result of any such postponed exercise, Warrantholders will receive a Cash Settlement Value determined as of a date later than the otherwise applicable Valuation Date. In any such case, as a result of any such postponement, the Cash Settlement Value actually received by

Warrantholders may be lower than the otherwise applicable Cash Settlement Value if the Valuation Date of the Warrants had not been postponed.

#### LIMIT OPTION

Except for Warrants subject to automatic exercise and except as described below with respect to payments of any Alternative Settlement Amount, each Warrantholder, in connection with any exercise of Warrants (including a postponed exercise following an Extraordinary Event or an Exercise Limitation Event), will have the option (the "Limit Option") to specify that such Warrants are not to be exercised if the Spot AMEX Hong Kong 30 Index that would otherwise be used to determine the Cash Settlement Value of such

S-22

23

Warrants is 20 or more points higher than the closing level of the AMEX Hong Kong 30 Index for the day specified below (such closing level, the "Limit Option Reference Index"). A Warrantholder's election of the Limit Option must be specified in the applicable Exercise Notice delivered to the Warrant Agent. The Limit Option Reference Index will be the closing level of the AMEX Hong Kong 30 Index on the relevant Exercise Date (or, if such date is not an Index Calculation Day, on the immediately preceding Index Calculation Day). If an Exercise Notice and the related Warrants are received after 3:00 P.M., New York City time, on a given day, the applicable Limit Option Reference Index will be determined as of the next day that is also a New York Business Day (or, if such day is not an Index Calculation Day, as of the immediately preceding Index Calculation Day).

To ensure that the Limit Option will have its intended effect of limiting the risk of any upward movement in the level of the AMEX Hong Kong 30 Index between the date on which a Warrantholder submits an Exercise Notice and the related Valuation Date, such Exercise Notice and the related Warrants generally must be received by the Warrant Agent not later than 3:00 P.M., New York City time, on the New York Business Day on which it is submitted and the Exercise Date must also be an Index Calculation Day. See the illustration under "-- Exercise and Settlement of Warrants" above and "Certain Important Information Concerning the Warrants" herein.

Following receipt of an Exercise Notice and the related Warrants subject to the Limit Option, the Warrant Agent will obtain the applicable Limit Option Reference Index and will determine whether such Warrants will not be exercised because of the Limit Option. Warrants that are not exercised will be treated as not having been tendered for exercise, and either the Warrant Certificate evidencing such Warrants will be returned to the registered holder by first-class mail at the Company's expense or, in the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, such Warrants will be transferred to the account at DTC, CEDEL or Euroclear, as the case may be, from which they were transferred to the Warrant Agent. To exercise such Warrants, a Warrantholder will be required to cause the Warrants and a related Exercise Notice to be submitted again to the Warrant Agent.

Once elected by a Warrantholder in connection with an exercise of Warrants, the Limit Option will continue to apply, on the basis of the Limit Option Reference Index as initially determined for such Warrants, even if the Valuation Date for such Warrants is postponed, except when such Valuation Date is postponed until the Expiration Date, the Delisting Date or the Cancellation Date (as hereinafter defined) as described under "-- Extraordinary Events and Exercise Limitation Events" below. Pursuant to the Limit Option, such Warrants will either (i) be exercised on a delayed basis if the applicable Spot AMEX Hong Kong 30 Index on the postponed Valuation Date does not exceed the Limit Option Reference Index by 20 or more points or (ii) be excluded from being exercised if, on any applicable postponed Valuation Date, the applicable Spot AMEX Hong Kong 30 Index exceeds the Limit Option Reference Index by 20 or more points.

In connection with any exercise of 500 or more Warrants, a Warrantholder may elect to subject the exercise of only a portion of such Warrants to the Limit Option, provided that the number of Warrants subject to the Limit Option



and the number of Warrants not subject to the Limit Option shall in each case not be less than 500. A Warrantholder may not combine certificated and book-entry Warrants in order to meet the 500-Warrant minimum requirement. See "-- Minimum Exercise Amount" herein.

#### AUTOMATIC EXERCISE

All Warrants for which the Warrant Agent has not received a valid Exercise Notice at or prior to 3:00 P.M., New York City time, on (i) the New York Business Day immediately preceding the Expiration Date or (ii) the Delisting Date, as the case may be, or for which the Warrant Agent has received a valid Exercise Notice but with respect to which timely delivery of the relevant Warrants has not been made, together with any Warrants the Valuation Date for which has at such time been postponed as described under "-- Extraordinary Events and Exercise Limitation Events" below, will be automatically exercised on such date. The Exercise Date for such Warrants will be the Expiration Date or the Delisting Date, as the case may be, or, if such date is not a New York Business Day, the next succeeding New York Business Day. The Warrant Agent will obtain the Spot AMEX Hong Kong 30 Index (determined as of the first Index Calculation Day following

S-23

24

such date, which will be the Valuation Date for such Warrants, except in the case of a postponed exercise following the occurrence of an Extraordinary Event or an Exercise Limitation Event as described under "-- Extraordinary Events and Exercise Limitation Events" below), and will determine the Cash Settlement Value, if any, of such Warrants.

Except in the case of a postponed exercise following the occurrence of an Extraordinary Event or an Exercise Limitation Event as described under "-- Extraordinary Events and Exercise Limitation Events" below, or in the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, if the Company has made adequate funds available to the Warrant Agent in a timely manner as required by the Warrant Agreement, the Warrant Agent will thereafter be responsible for making a payment available to each registered holder of a Warrant in the form of a cashier's check or official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar account maintained by such holder in the United States (at such holder's election) after 3:00 P.M., New York City time, on the fourth New York Business Day after such Valuation Date (or, if such Valuation Date is not a New York Business Day, on the fourth New York Business Day following the New York Business Day next succeeding such Valuation Date) against receipt by the Warrant Agent at the Warrant Agent's Office of such holder's Warrant Certificates. Such payment will be in an amount equal to the aggregate Cash Settlement Value of the Warrants evidenced by such Warrant Certificates.

In the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, and, except in the case of a postponed exercise following the occurrence of an Extraordinary Event or an Exercise Limitation Event as described under "Extraordinary Events and Exercise Limitation Events" below, the Company will be required to make available to the Warrant Agent, no later than 3:00 P.M., New York City time, on the fourth New York Business Day after such Valuation Date (or, if such Valuation Date is not a New York Business Day, on the fourth New York Business Day following the New York Business Day next succeeding such Valuation Date), funds in an amount sufficient to pay such aggregate Cash Settlement Value. If the Company has made such funds available by such time, the Warrant Agent will thereafter be responsible for making funds available to DTC in an amount sufficient to pay the aggregate Cash Settlement Value of the Warrants. DTC will be responsible for disbursing such funds to each appropriate Participant (including Citibank and Morgan, who, in turn, will disburse payments to CEDEL and Euroclear, as the case may be, who will be responsible for disbursing such payments to each of their respective participants, who, in turn, will be responsible for disbursing payments to the Warrantholders it represents) and such Participant will be responsible for disbursing such payments to the Warrantholders it represents and to each brokerage firm for which it acts as agent. Each such brokerage firm will be

responsible for disbursing funds to the Warrantheolders it represents.

#### EXTRAORDINARY EVENTS AND EXERCISE LIMITATION EVENTS

Extraordinary Events. The Warrant Agreement will provide that if the Company determines that an Extraordinary Event has occurred and is continuing on the Hong Kong Business Day with respect to which the Spot AMEX Hong Kong 30 Index on a Valuation Date is to be determined (the "Applicable Hong Kong Business Day"), then the Cash Settlement Value in respect of an exercise shall be calculated on the basis that the Valuation Date shall be the next Index Calculation Day following an Applicable Hong Kong Business Day on which there is no Extraordinary Event or Exercise Limitation Event; provided that if the Valuation Date has not occurred on or prior to the Expiration Date or the Delisting Date, the Warrantheolders will receive the Alternative Settlement Amount in lieu of the Cash Settlement Value which shall be calculated as if the Warrants had been cancelled on the Expiration Date or the Delisting Date, as the case may be. The Company shall promptly give notice to Warrantheolders, by publication in a United States newspaper with a national circulation (currently expected to be The Wall Street Journal), if an Extraordinary Event shall have occurred.

S-24

25

"Extraordinary Event" means any of the following events:

(i) a suspension or absence of trading on the HKSE of all the Underlying Stocks which then comprise the AMEX Hong Kong 30 Index or a Successor Index;

(ii) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or any other U.S. or non-U.S. governmental authority which would make it unlawful for the Company to perform any of its obligations under the Warrant Agreement or the Warrants; or

(iii) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities which in the opinion of the Company may materially and adversely affect the economy of Hong Kong or the trading of securities generally on the HKSE) which has or will have a material adverse effect on the ability of the Company to perform its obligations under the Warrants or to modify the hedge of its position with respect to the AMEX Hong Kong 30 Index.

For the purposes of determining whether an Extraordinary Event has occurred: (1) a limitation on the hours or number of days of trading will not constitute an Extraordinary Event if it results from an announced change in the regular business hours of the HKSE and (2) an "absence of trading" on the HKSE will not include any time when the HKSE itself is closed for trading under ordinary circumstances.

To the Company's knowledge, no circumstances have arisen since the inception of the AMEX Hong Kong 30 Index that could have constituted an Extraordinary Event, except that on July 22, 1992 and on September 17, 1993 trading on the HKSE and The Hong Kong Futures Exchange Ltd. (the "HK Futures Exchange") was suspended due to typhoons (severe storms) in Hong Kong (the "Typhoon Suspensions"). Prior to the inception of the AMEX Hong Kong 30 Index, and based on the information published by the HKSE, trading on the HKSE was suspended during the time of other world market breaks from October 20 through October 23, 1987. Trading in Hang Seng Index Futures on the HK Futures Exchange also was suspended during the same four-day period (collectively, the "October 1987 Suspension"). The existence of such circumstances, however, is not necessarily indicative of the likelihood of such circumstances arising or not arising in the future. See "The AMEX Hong Kong 30 Index -- The HKSE" below.

If the Company determines that an Extraordinary Event has occurred and is continuing, and if the Extraordinary Event is expected by the Company to continue, the Company may immediately cancel the Warrants by notifying the



Warrant Agent of such cancellation (the date such notice is given being the "Cancellation Date"), and each Warrantholder's rights under the Warrants and the Warrant Agreement shall thereupon cease; provided that each Warrant shall be exercised (even if such Warrant would not otherwise be exercisable on such date because of the Limit Option) on the basis that the Valuation Date for such Warrant shall be the Cancellation Date and the holder of each such Warrant will receive, in lieu of the Cash Settlement Value of such Warrant, an amount (the "Alternative Settlement Amount"), determined by the Determination Agent, which is the greater of (i) the average of the last sale prices, as available, of the Warrants on the AMEX (or any successor securities exchange on which the Warrants are listed) on the 30 trading days preceding the date on which such Extraordinary Event was declared; provided that, if the Warrants were not traded on the AMEX (or such successor securities exchange) on at least 20 of such trading days, no effect will be given to this clause (i) for the purpose of determining the Alternative Settlement Amount, and (ii) the amount "X" calculated using the formula set forth below:

<TABLE>  
 <S>

$$X = I + \left[ \frac{T}{2} - X \frac{A}{B} \right]$$

</TABLE>

where

I = the Cash Settlement Value of the Warrants determined as described under "-- Cash Settlement Value" above, but subject to the following modifications:

(1) if the Cancellation Date for such Warrants is a date on which the AMEX Hong Kong 30 Index or a Successor Index is calculated and published, for the purpose of determining such Cash Settlement Value, the Spot AMEX Hong Kong 30 Index will be determined as of such Cancellation Date except

S-25

26

that, if the Spot AMEX Hong Kong 30 Index as of such day is less than 90% of the Spot AMEX Hong Kong 30 Index as of the immediately preceding Index Calculation Day, then the Spot AMEX Hong Kong 30 Index will be deemed to be 90% of the Spot AMEX Hong Kong 30 Index on such preceding Index Calculation Day; or

(2) if the Cancellation Date for such Warrants is a date on which the AMEX Hong Kong 30 Index or a Successor Index is not calculated or published, for the purpose of determining such Cash Settlement Value, the Spot AMEX Hong Kong 30 Index will be deemed to be the lesser of (i) the Spot AMEX Hong Kong 30 Index as of the first Index Calculation Day immediately preceding the Cancellation Date except that, if the Spot AMEX Hong Kong 30 Index as of such day is less than 90% of the Spot AMEX Hong Kong 30 Index as of the second Index Calculation Day immediately preceding such Cancellation Date, 90% of the Spot AMEX Hong Kong 30 Index as of such second Index Calculation Day and (ii) the arithmetic average of four amounts, being (a) the Spot AMEX Hong Kong 30 Index at each of the three successive Index Calculation Days immediately preceding the Cancellation Date and (b) the Spot AMEX Hong Kong 30 Index at the next Index Calculation Day; provided that if an Extraordinary Event described in clause (i) of the definition of Extraordinary Event continues for 30 consecutive days immediately following such Cancellation Date, then the Determination Agent shall calculate an amount which, in its reasonable opinion, fairly reflects the value of the Underlying Stocks on the Index Calculation Day immediately following such Cancellation Date which, subject to approval by the Company (such approval not to be unreasonably withheld), shall for purposes of calculating the amount under this clause (2)(ii) be treated as the figure arrived at under clause (2)(ii)(b);

T = U.S.\$ , the initial offering price per Warrant;

A = the total number of days from but excluding the Cancellation Date for such Warrants to and including the Expiration Date; and

B = the total number of days from but excluding the date the Warrants were initially sold to and including the Expiration Date.

For the purposes of determining "I" in the above formula, in the event that the Determination Agent and the Company are required, but have not, after good faith consultation with each other and within five days following the first day upon which such Alternative Settlement Amount may be calculated in accordance with the above formula, agreed upon a figure under clause (2)(ii)(b) which fairly reflects the value of the Underlying Stocks on the Cancellation Date, then the Determination Agent shall promptly nominate a third party, subject to approval by the Company (such approval not to be unreasonably withheld), to determine such figure and calculate the Alternative Settlement Amount in accordance with the above formula. Such party shall act as an independent expert and not as an agent of the Company or the Determination Agent, and its calculation and determination of the Alternative Settlement Amount shall, absent manifest error, be final and binding on the Company, the Warrant Agent, the Determination Agent and the Warrantheolders. Any such calculations will be made available to a Warrantheolder for inspection at the Warrant Agent's Office. Neither the Company nor such third party shall have any responsibility for good faith errors or omissions in calculating the Alternative Settlement Amount.

Exercise Limitation Events. The Warrant Agreement will provide that if the Company determines that on an Applicable Hong Kong Business Day an Exercise Limitation Event has occurred and is continuing, then the Cash Settlement Value in respect of an exercise shall be calculated on the basis that the Valuation Date shall be the next Index Calculation Day following an Applicable Hong Kong Business Day on which there is no Exercise Limitation Event or Extraordinary Event; provided that, if the Valuation Date has not occurred on or prior to the Expiration Date or the Delisting Date, the Warrantheolders will receive the Alternative Settlement Amount in lieu of the Cash Settlement Value which shall be calculated as if the Warrants had been cancelled on the Expiration Date or the Delisting Date, as the case may be. The Company shall promptly give notice to Warrantheolders, by publication in a United States newspaper with a national circulation (currently expected to be The Wall Street Journal), if an Exercise Limitation Event shall have occurred.

S-26

27

"Exercise Limitation Event" means either of the following events:

(i) a suspension or absence of trading on the HKSE of (a) 20% or more of the Underlying Stocks which then comprise the AMEX Hong Kong 30 Index or a Successor Index, and/or (b) the stocks of any three of the four most highly capitalized companies included in the Underlying Stocks which then comprise the AMEX Hong Kong 30 Index or a Successor Index; or

(ii) the suspension or material limitation on the HK Futures Exchange or any other major futures or securities market (which as of the date of this Prospectus Supplement includes only the HK Futures Exchange, but which in the Company's judgment may change in the future) of trading in futures or options contracts related to the Hang Seng Index (for a brief description of the Hang Seng Index, see "The AMEX Hong Kong 30 Index -- The HKSE" herein), the AMEX Hong Kong 30 Index or a Successor Index.

For purposes of determining whether an Exercise Limitation Event has occurred: (1) a limitation on the hours or number of days of trading will not constitute an Exercise Limitation Event if it results from an announced change in the regular business hours of the relevant exchange, (2) a decision to permanently discontinue trading in the relevant contract will not constitute an Exercise Limitation Event, (3) a suspension in trading in a futures or options contract on the Hang Seng Index, the AMEX Hong Kong 30 Index or a Successor Index by the HK Futures Exchange or other major futures or securities market (which as of the date of this Prospectus Supplement includes only the HK Futures

Exchange, but which in the Company's judgment may change in the future) by reason of (x) a price change violating limits set by the HK Futures Exchange or such futures or securities market, (y) an imbalance of orders relating to such contracts or (z) a disparity in bid and ask quotes relating to such contracts will constitute a suspension or material limitation of trading in futures or options contracts related to the Hang Seng Index, the AMEX Hong Kong 30 Index or such Successor Index, (4) an "absence of trading" on the HK Futures Exchange or a major futures or securities market on which futures or options contracts relating to the Hang Seng Index, the AMEX Hong Kong 30 Index or a Successor Index are traded will not include any time when the HK Futures Exchange or such futures or securities market, as the case may be, itself is closed for trading under ordinary circumstances and (5) the occurrence of an Extraordinary Event described in clause (i) of the definition of Extraordinary Event will not constitute, and will supersede the occurrence of, an Exercise Limitation Event.

Based on information provided to the Company by HKSE and the HK Futures Exchange, it is the Company's understanding that during the past six years there have been no suspensions of trading on the HKSE and no suspensions of trading on the HK Futures Exchange under circumstances that could have constituted an Exercise Limitation Event, except for the Typhoon Suspensions and the October 1987 Suspension. The lack of such suspensions over the period indicated is not necessarily indicative of the number or frequency of any future suspensions. See "The AMEX Hong Kong 30 Index -- The HKSE" below.

In the case of a postponed Valuation Date resulting from an Extraordinary Event or an Exercise Limitation Event, if the Company has made adequate funds available to the Warrant Agent by 3:00 P.M., New York City time, on the third New York Business Day following the date on which the Cash Settlement Value or Alternative Settlement Amount, as the case may be, has been calculated, the Warrant Agent will thereafter be responsible for making payment available to each registered holder who holds Warrants in certificated form in the form of a cashier's check or official bank check, or (in the case of payments of at least \$100,000) by wire transfer to a U.S. dollar bank account maintained by such holder in the United States (at such holder's election), in an amount equal to the aggregate Cash Settlement Value or Alternative Settlement Amount, as applicable, of such holder's exercised Warrants. In the case of Warrants held through the facilities of DTC, CEDEL or Euroclear, if the Company has made such funds available by such time as noted above, the Warrant Agent will thereafter be responsible for making funds available to DTC in an amount sufficient to pay the Cash Settlement Value or Alternative Settlement Amount of the Warrants. DTC will be responsible for disbursing such funds to each appropriate Participant (including Citibank and Morgan who in turn will disburse payments to CEDEL and Euroclear, as the case may be, who will be responsible for disbursing such payments to their respective participants who, in turn, will be responsible for disbursing such payments to the Warrantholders it represents) and such Participant will be responsible for disbursing such payments to the

S-27

28

Warrantholders it represents and to each brokerage firm for which it acts as agent. Each such brokerage firm will be responsible for disbursing funds to the Warrantholders it represents.

Certain of the Extraordinary Events and Exercise Limitation Events may be events that would tend to decrease the level of the AMEX Hong Kong 30 Index and accordingly increase the Cash Settlement Value for the Warrants following the occurrence of any such Extraordinary Event or Exercise Limitation Event. However, as a result of any postponed exercise as described above, Warrantholders would not receive such Cash Settlement Value, but would receive instead a Cash Settlement Value (or, if applicable, an Alternative Settlement Amount) determined as of a later date. In any such case, any immediate impact of the related Extraordinary Event or Exercise Limitation Event on the AMEX Hong Kong 30 Index may have been negated by interim market and other developments and, as a result of any such postponement, the Cash Settlement Value (or Alternative Settlement Amount) actually received by Warrantholders may be substantially lower (including zero) than the otherwise applicable Cash Settlement Value if the valuation of the Warrants had not been postponed.

## LISTING

Application has been made to list the Warrants on the AMEX. The AMEX symbol for the Warrants is HPW.WS. The AMEX expects to cease trading the Warrants on such Exchange as of the close of business on the Expiration Date.

## DELISTING OF WARRANTS

In the event that the Warrants are delisted from, or permanently suspended from trading (within the meaning of the Securities Exchange Act of 1934 and the rules and regulations thereunder) on the AMEX, and not accepted at the same time for listing on another United States national securities exchange, Warrants not previously exercised will be deemed automatically exercised on the last New York Business Day prior to the effective date of such delisting or trading suspension (the "Delisting Date") and the Cash Settlement Value, if any, shall be calculated and settled as provided above under "-- Automatic Exercise." The Company will notify Warrantholders as soon as practicable of such delisting or trading suspension. However, if the Company first receives notice of the delisting or suspension on the same day on which the Warrants are delisted or suspended, such day will nevertheless be deemed to be the Delisting Date. The Company will covenant in the Warrant Agreement that it will not seek delisting of the Warrants from, or suspension of their trading on, the AMEX unless the Company has, at the same time, arranged for listing of the Warrants on another United States national securities exchange.

## THE AMEX HONG KONG 30 INDEX

Unless otherwise stated, all information herein on the AMEX Hong Kong 30 Index is derived from the AMEX or other publicly available sources. Such information reflects the policies of the AMEX as stated in such sources and such policies are subject to change by the AMEX.

The AMEX Hong Kong 30 Index is a new capitalization-weighted stock index designed, developed, maintained and operated by, and is a service mark of, the AMEX that measures the market value performance (share price times the number of shares outstanding) of selected HKSE listed stocks. The AMEX Hong Kong 30 Index currently is based on the capitalization of 30 Underlying Stocks trading on the HKSE and is designed to represent a substantial segment of the Hong Kong stock market. The HKSE is the primary trading market for 25 of the 30 Underlying Stocks. The primary trading market for all of the Underlying Stocks is either Hong Kong or London. Business sector representation of the Underlying Stocks comprising the AMEX Hong Kong 30 Index as of January , 1994 was as follows: [(1) property development (25.22%); (2) utilities (22.64%); (3) conglomerates (19.97%); (4) finance (19.05%); (5) hotel/leisure (4.67%); (6) property investment (4.17%); (7) airlines (2.33%); (8) food retailing (1.65%); and (9) luxury retailing (0.30%)]. The AMEX Hong Kong 30 Index was established on June 25, 1993. (See Appendix A hereto for a list of the Underlying Stocks as of January , 1994.) As of January , 1994, the five largest Underlying Stocks accounted for approximately [42.86%] of the market capitalization of the AMEX Hong

S-28

29

Kong 30 Index, with the largest being [Hong Kong Telecommunications, Ltd. (11.93%), followed by HSBC Holdings plc (10.03%), Hang Seng Bank Ltd. (7.60%), Hutchison Whampoa Ltd. (6.74%) and Sun Hung Kai Properties Ltd. (6.57%)]. The lowest weighted Underlying Stock, as of January , 1994, was Dickson Concepts (International) Ltd. (0.30%)].

The AMEX Hong Kong 30 Index will be maintained by the AMEX and will contain at least 30 Underlying Stocks at all times. In addition, the Underlying Stocks must meet certain listing and maintenance standards as discussed below. The AMEX may change the composition of the AMEX Hong Kong 30 Index at any time in order to more accurately reflect the composition and track the movement of the Hong Kong stock market. Any replacement Underlying Stock must also meet the Underlying Stock listing and maintenance standards as discussed below. Further,

the AMEX may replace Underlying Stocks in the event of certain corporate events, such as takeovers, or mergers, that change the nature of the security.

The AMEX will select Underlying Stocks on the basis of their market weight, trading liquidity, and representation of the business industries reflected on the HKSE. The AMEX will require that each Underlying Stock be one issued by an entity with major business interests in Hong Kong, listed for trading on the HKSE, and have its primary trading market located in a country that the AMEX has an effective surveillance sharing agreement with. The AMEX will remove any Underlying Stock failing to meet the above listing and maintenance criteria within 30 days after such failure occurs. In order to ensure that the AMEX Hong Kong 30 Index does not contain a large number of thinly-capitalized, low-priced securities with small public floats and low trading volumes, the AMEX has also established additional qualification criteria for the inclusion and maintenance of Underlying Stocks, based on the following standards: (1) all Underlying Stocks selected for inclusion in the AMEX Hong Kong 30 Index must have, and thereafter maintain, an average daily capitalization, as calculated by the total number of shares outstanding times the latest price per share (in Hong Kong dollars), measured over the prior 6-month period, of at least H.K.\$3,000,000,000 (approximately U.S.\$ on the date hereof); (2) all Underlying Stocks selected for inclusion in the AMEX Hong Kong 30 Index must have, and thereafter maintain, an average daily closing price, measured over the prior 6-month period, not lower than H.K.\$2.50 (approximately U.S.\$ on the date hereof); (3) all Underlying Stocks selected for inclusion in the AMEX Hong Kong 30 Index must have, and thereafter maintain, an average daily trading volume, measured over the prior 6-month period, of more than 1,000,000 shares per day, although up to, but no more than, three Underlying Stocks may have an average daily trading volume, measured over the prior 6-month period, of less than 1,000,000 shares per day, but in no event less than 500,000 shares per day; and (4) all Underlying Stocks selected for inclusion in the AMEX Hong Kong 30 Index must have, and thereafter maintain, a minimum "free float" value (total freely tradeable outstanding shares minus insider holdings), based on a monthly average measured over the prior 3-month period, of U.S.\$238,000,000, although up to, but no more than, three Underlying Stocks may have a free float value of less than U.S.\$238,000,000 but in no event less than U.S.\$150,000,000, measured over the same period. The AMEX will review and apply the above qualification criteria relating to the Underlying Stocks on a quarterly basis, conducted the last business day in January, April, July, and October (beginning January 1994). Any Underlying Stock failing to meet the above listing and maintenance criteria will be reviewed on the second Friday of the second month following the quarterly review to again determine compliance with the above criteria. Any Underlying Stock failing this second review will be replaced by a "qualified" Underlying Stock effective upon the close of business on the following Friday provided, however, that if such Friday is not a New York Business Day, the replacement will be effective at the close of business on the first preceding New York Business Day. For example, if an Underlying Stock was found to be below the maintenance criteria on Monday, January 31, 1994, it would be reviewed again on March 11 and, if ineligible, would be replaced by a qualified security at the close of business on March 18, 1994. If March 18 happened not to be a New York Business Day, the replacement would be effective at the close of business on the preceding Thursday, March 17, 1994, assuming that Thursday was a New York Business Day. The AMEX will notify its membership immediately after it determines to replace an Underlying Stock.

The annual reports and prospectuses of the companies listed on the HKSE are available for investors' inspection in the City Hall Library (a public library in Hong Kong, Central). The HKSE library also has information for each listed company but it is available only to members of the HKSE.

S-29

30

A company whose stock is included in the AMEX Hong Kong 30 Index is not required to be incorporated under the laws of Hong Kong. As of the date of this Prospectus Supplement eight of the thirty companies whose stocks comprise the Underlying Stocks are not incorporated in Hong Kong. They are (country of incorporation shown within parentheses): Dairy Farm International Holdings Ltd. (Bermuda), Dickson Concepts (International) Ltd. (Bermuda), Great Eagle Holdings

Ltd. (Bermuda), Hong Kong Land Holdings Ltd. (Bermuda), HSBC Holdings plc (England), Jardine Matheson Holdings Ltd. (Bermuda), Jardine Strategic Holdings Ltd. (Bermuda) and Tai Cheung Holdings Ltd. (Bermuda).

The AMEX Hong Kong 30 Index is a capitalization-weighted index. A company's market capitalization is calculated by multiplying the number of shares outstanding by the company's current share price (in Hong Kong dollars). For valuation purposes unrelated to the Warrants, one AMEX Hong Kong 30 Index unit (1.0) is assigned a fixed value of one U.S. dollar. The AMEX Hong Kong 30 Index measures the average changes in price of the Underlying Stocks, weighted according to their respective market capitalizations, so that the effect of a percentage price change in an Underlying Stock will be greater the larger the Underlying Stock's market capitalization. The AMEX Hong Kong 30 Index was established by the AMEX on June 25, 1993, on which date the AMEX Hong Kong 30 Index value was set at 350.00. The daily calculation and public dissemination by the AMEX of the AMEX Hong Kong 30 Index value commenced on September 1, 1993. The data relating to the AMEX Hong Kong 30 Index was back-calculated by the AMEX from January 2, 1989 to August 31, 1993. The AMEX Hong Kong 30 Index is calculated by (i) adding the market capitalization of each Underlying Stock and (ii) dividing such sum by an adjusted base market capitalization or divisor. On June 25, 1993, the market value of the Underlying Stocks was approximately H.K.\$1,152,829,149,500 (equivalent to approximately U.S.\$148,656,241,000) and the divisor used to calculate the AMEX Hong Kong 30 Index was 3,293,797,570. The AMEX selected that particular divisor number in order, among other things, to ensure that the AMEX Hong Kong 30 Index was set at a general price level consistent with other well recognized stock markets. The divisor is subject to periodic adjustments as set forth below. The AMEX Hong Kong 30 Index is calculated once every Index Calculation Day by the AMEX based on the most recent official closing prices of each of the Underlying Stocks reported by the HKSE. Pricing of the AMEX Hong Kong 30 Index will be performed each day and be disseminated before the opening of trading via the Consolidated Tape Authority Network-B continuously during each New York Business Day. The dissemination value, however, will remain the same throughout the trading day because the trading hours of the HKSE do not overlap with AMEX trading hours. Accordingly, updated price information will be unavailable. At the close of the market on January , 1994, the AMEX Hong Kong 30 Index level was .

In order to maintain continuity in the level of the AMEX Hong Kong 30 Index in the event of certain changes due to non-market factors affecting the Underlying Stocks, such as the addition or deletion of stocks, substitution of stocks, stock dividends, stock splits, distributions of assets to stockholders or other capitalization events, the divisor used in calculating the AMEX Hong Kong 30 Index is adjusted in a manner designed to prevent any instantaneous change or discontinuity in the level of the AMEX Hong Kong 30 Index and in order that the value of the AMEX Hong Kong 30 Index immediately after such change will equal the level of the AMEX Hong Kong 30 Index immediately prior to the change. Thereafter, the divisor remains at the new value until a further adjustment is necessary as the result of another change. Nevertheless, changes in the identities and characteristics of the Underlying Stocks may significantly affect the behavior of the AMEX Hong Kong 30 Index over time.

The AMEX is under no obligation to continue the calculation and dissemination of the AMEX Hong Kong 30 Index and the method by which the AMEX Hong Kong 30 Index is calculated and the name "The AMEX Hong Kong 30 Index" may be changed at the discretion of the AMEX. The Warrants are not sponsored, endorsed, sold or promoted by the AMEX. No inference should be drawn from the information contained in this Prospectus Supplement that the AMEX makes any representation or warranty, implied or express, to the Company, the Warrantheolders or any member of the public regarding the advisability of investing in securities generally or in the Warrants in particular or the ability of the AMEX Hong Kong 30 Index to track general stock market performance. The AMEX has no obligation to take the needs of the Company or the Warrantheolders into consideration in determining, composing or calculating the AMEX Hong Kong 30 Index. The AMEX is not responsible for, and has not participated in the determination of the



timing of, prices for, or quantities of, the Warrants to be issued or in the determination or calculation of the equation by which the Warrants are to be settled in cash. The AMEX has no obligation or liability in connection with the administration, marketing or trading of the Warrants.

The use of and reference to the AMEX Hong Kong 30 Index in connection with the Warrants have been consented to by the AMEX.

Except with respect to the responsibility of the Determination Agent to make certain calculations under certain circumstances as described herein, none of the Company, the Warrant Agent, the Determination Agent or the Underwriters accepts any responsibility for the calculation, maintenance or publication of the AMEX Hong Kong 30 Index or any Successor Index. The AMEX disclaims all responsibility for any inaccuracies in the data on which the AMEX Hong Kong 30 Index is based, or any mistakes or errors or omissions in the calculation or dissemination of the AMEX Hong Kong 30 Index or for the manner in which such index is applied in determining any Cash Settlement Value or Alternative Settlement Amount upon exercise of the Warrants.

#### HISTORICAL DATA ON THE AMEX HONG KONG 30 INDEX

The following table sets forth the closing level of the AMEX Hong Kong 30 Index at the end of each month in the period from January 1989 through January 7, 1994. All historical data presented in the following table relating to periods before September 1, 1993 (the date the AMEX commenced the daily calculation and public dissemination of the AMEX Hong Kong 30 Index) is presented as if the AMEX Hong Kong 30 Index had existed during such periods, based on the Underlying Stocks contained in the AMEX Hong Kong 30 Index as of June 25, 1993, and such closing levels have been calculated hypothetically on the same basis that the AMEX 30 Hong Kong Index is calculated, but without making certain of the adjustments referred to above to take account of non-market factors. All historical data presented in the following table relating to periods after September 1, 1993 are based on actual data from the AMEX Hong Kong 30 Index. Certain of the Underlying Stocks currently comprising the AMEX Hong Kong 30 Index may not have met the AMEX's criteria for inclusion in the AMEX Hong Kong 30 Index at all times during the period covered by the table. In addition, there is no reason to believe that other stocks would not have been included in the AMEX Hong Kong 30 Index had it been established at an earlier date. Accordingly, the monthly closing levels set forth below are not necessarily indicative of the levels that would have been in existence had the AMEX calculated and disseminated the AMEX Hong Kong 30 Index beginning in January 1989 applying the criteria set forth above to determine which Underlying Stocks would be included in such index. These historical data on the AMEX Hong Kong 30 Index are not necessarily indicative of the future performance of the AMEX Hong Kong 30 Index or what the value of the Warrants may be. Any historical upward or downward trend in the closing level of the AMEX Hong Kong 30 Index during any period set forth below is not any indication that the level of the AMEX Hong Kong 30 Index is more or less likely to increase or decrease at any time during the term of the Warrants.

<TABLE>  
<CAPTION>

	MONTH-END CLOSING LEVEL
	-----
<S>	<C>
1989:	
January.....	149.88
February.....	147.27
March.....	146.46
April.....	152.01
May.....	133.76
June.....	110.46
July.....	125.78
August.....	123.02
September.....	135.71
October.....	135.04

November.....	136.23
December.....	140.32

</TABLE>

<TABLE>  
<CAPTION>

	MONTH-END CLOSING LEVEL -----
<S>	<C>
1990:	
January.....	136.29
February.....	146.44
March.....	149.57
April.....	146.77
May.....	156.58
June.....	164.36
July.....	172.48
August.....	154.24
September.....	137.78
October.....	149.74
November.....	148.38
December.....	151.46
1991:	
January.....	162.42
February.....	177.56
March.....	187.39
April.....	179.85
May.....	186.43
June.....	184.68
July.....	201.91
August.....	201.49
September.....	200.42
October.....	204.76
November.....	209.96
December.....	217.58
1992:	
January.....	233.06
February.....	250.01
March.....	249.71
April.....	271.89
May.....	308.30
June.....	309.67
July.....	296.24
August.....	282.96
September.....	276.67
October.....	311.14
November.....	291.86
December.....	276.73
1993:	
January.....	287.74
February.....	318.99
March.....	319.68
April.....	341.75
May.....	369.20
June.....	354.06

</TABLE>

<TABLE>  
<CAPTION>

MONTH-END



<S>	<C>
July.....	348.06
August.....	374.08
September.....	382.05
October.....	467.64
November.....	458.93
December.....	498.98
1994:	
January (through January 7).....	553.40

&lt;/TABLE&gt;

The following graph sets forth the historical performance of the AMEX Hong Kong 30 Index at the end of each month from January 1989 through January 7, 1994. Past movements of the AMEX Hong Kong 30 Index are not necessarily indicative of the future AMEX Hong Kong 30 Index values. The January , 1994 closing level of the AMEX Hong Kong 30 Index was .

AMEX HONG KONG 30 INDEX--HISTORICAL PERFORMANCE  
MONTH-END VALUES THROUGH JANUARY 7, 1994

Source: Prepared by the Company from data obtained from the AMEX.

S-33

34

## THE HKSE

As of September 30, 1993, the HKSE was the world's 9th largest stock exchange based on U.S. dollar market capitalization. The HKSE market is a continuous market where trading is order-based through a computer-assisted system. Transactions are generally conducted by telephone. However, broker-dealers continue to operate from the stock exchange floor, and trading is therefore occasionally face-to-face. There are no market-makers in Hong Kong, but exchange dealers may act as dual capacity broker-dealers. All of the Underlying Stocks of the AMEX Hong Kong 30 Index are traded through the computerized trading system. Trading is undertaken from 10:00 A.M. to 12:30 P.M. and then from 2:30 P.M. to 3:30 P.M. (Hong Kong time) every Hong Kong day except Saturdays, Sundays and other days on which the HKSE is closed. Hong Kong time is 12 hours ahead of Eastern Daylight Savings Time and 13 hours ahead of Eastern Standard Time. Settlement of trades is required within 48 hours and requires either delivery of share certificates or book-entry delivery through the Central Clearing and Settlement System.

Due to the time differences between New York City and Hong Kong, on any normal trading day, trading on the HKSE of the Underlying Stocks currently will cease at 2:30 A.M. or 3:30 A.M., New York City time. Using the last reported closing prices of the Underlying Stocks on the HKSE, the closing level of the AMEX Hong Kong 30 Index on any such trading day generally will be calculated, published and disseminated by the AMEX in the United States shortly prior to the opening of trading on the AMEX in New York on the same calendar day.

The HKSE has adopted certain measures intended to prevent any extreme short-term price fluctuations resulting from order imbalances or market volatility. Where the HKSE considers it necessary for the protection of the investor or the maintenance of an orderly market, it may at any time suspend dealings in any securities or cancel the listing of any securities in such circumstances and subject to such conditions as it thinks fit, whether requested by the listed issuer or not. The HKSE may also do so where: (1) an issuer fails, in a manner which the HKSE considers material, to comply with the HKSE Listing Rules or its Listing Agreement; or (2) the HKSE considers there are insufficient securities in the hands of the public; or (3) the HKSE considers that the listed issuer does not have a sufficient level of operations or sufficient assets to warrant the continued listing of the issuer's securities; or (4) the HKSE considers that the issuer or its business is no longer suitable for listing. Investors should also be aware that the HKSE may suspend the trading of individual stocks in certain limited and extraordinary circumstances, until

certain price-sensitive information has been disclosed to the public. For instance, dealing on a listed company's shares will normally be suspended when information about an intention to make a private placing, or a very substantial transaction compared to the net asset value of the company, has been leaked through an improper channel. Trading will not be resumed until after a formal announcement has been made. Trading of a company's shares may also be suspended if there is unusual trading activity in that stock.

An issuer may apply for suspension on its own accord. A suspension request will normally only be acceded to in the following circumstances: (1) where, for a reason acceptable to the HKSE, price-sensitive information cannot at that time be disclosed; (2) where the issuer is subject to an offer, but only where terms have been agreed in principle and require discussion with, and agreement by, one or more major shareholders (suspensions will only normally be appropriate where no previous announcement has been made); (3) to maintain an orderly market; (4) where there is an occurrence of certain levels of notifiable transactions, such as substantial changes in the nature, control or structure of the issuer, where publication of full details is necessary to permit a realistic valuation to be made of the securities concerned, or the approval of shareholders is required; (5) where the issuer is no longer suitable for listing, or becomes a "cash" company; or (6) for issuers going into receivership or liquidation.

As a result of the foregoing, variations in the AMEX Hong Kong 30 Index may be limited by suspension of trading of individual stocks which comprise the AMEX Hong Kong 30 Index which may, in turn, adversely affect the value of the Warrants. In addition, a suspension in trading of (a) 20% or more of the Underlying Stocks and/or (b) stocks of any three of the four most highly capitalized companies included in the Underlying Stocks would result in an Exercise Limitation Event and a halt in trading of all of the Underlying Stocks would result in an Extraordinary Event, if such Events were declared by the Company. As a result, the

S-34

35

Valuation Date of exercised Warrants would be postponed and the Cash Settlement Value (or Alternative Settlement Amount) actually received by Warrantholders may be substantially lower (including zero) than the otherwise applicable Cash Settlement Value if the valuation of the Warrants had not been postponed. See "Description of the Warrants -- Extraordinary Events and Exercise Limitation Events" herein.

In 1977, the Hong Kong government authorized futures trading in commodities. The HK Futures Exchange currently provides for trading in gold, sugar and soybeans in addition to Hang Seng Index and Hong Kong Interbank Offered Rate contracts.

The stock index futures contracts traded on the HK Futures Exchange are based upon the Hang Seng Index ("HSI") and its four sub-indices: properties, utilities, finance, and commerce and industry. The HSI is a value-weighted index of 33 stocks and every stock in the HSI is represented in one of the four sub-indices. The following Underlying Stocks of the AMEX Hong Kong 30 Index (as of , 1994) are not constituent securities of the HSI: [Amoy Properties Ltd., Dickson Concepts (International) Ltd., Henderson Investment Ltd. and Tai Cheung (Holdings) Ltd. The following constituent securities of the HSI (as of October 26, 1993) are not Underlying Stocks of the AMEX Hong Kong 30 Index: Hong Kong Aircraft Eng. Co. Ltd., Lai Sun Garment International Ltd., Mandarin Oriental International Ltd., Mirmar Hotel and Inv. Co. Ltd., Shun Tak Holdings Ltd., Television Broadcasts Ltd. and Winsor Industrial Corporation Ltd.] The AMEX Hong Kong 30 Index also differs from the HSI in that, among other things, the selection, maintenance and replacement criteria for the constituent securities of the two indices are not the same and that they are operated and governed by the rules of different entities.

Currently, the contracts listed on the HK Futures Exchange are HSI futures, HSI sub-indices futures, HSI options, gold and Hong Kong Interbank Offered Rate futures. There is a daily maximum fluctuation limit of 300 points imposed on the HSI contracts (not applicable to spot mark contracts). Once the limit is

touched, orders cannot be transacted above (the upside limit) or below (the downside limit) but orders within the range can continue to trade.

The foregoing discussion reflects the current rules governing the HKSE and the HK Futures Exchange, which are subject to change.

#### CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

##### U.S. FEDERAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF A WARRANT BY A U.S. HOLDER

The following is a summary of certain anticipated U.S. federal income tax consequences of an investment in Warrants and represents the views of Sullivan & Cromwell, special tax counsel to the Company. This summary deals only with "U.S. Holders" (as defined below) that will hold Warrants as capital assets and as to which the Underlying Stocks, if acquired by such holders, would be capital assets, and does not deal with Warrantholders in special tax situations, such as dealers in options, securities or currencies. A U.S. Holder means a Warrantholder who or which is (i) a citizen or resident of the United States, (ii) a domestic corporation, or (iii) a person otherwise subject to U.S. federal income taxation on a net income basis in respect of the Warrant.

This summary does not address every U.S. federal income tax issue raised by the ownership of Warrants. In particular, this summary does not consider either (i) the U.S. federal income tax consequences of holding Warrants as a hedge against, or hedged against, currency or security price risks, or (ii) the possible application of the "straddle" rules of the Internal Revenue Code of 1986, as amended (the "Code"), to a Warrantholder as a result of holding other "positions" (within the meaning of Section 1092 of the Code). Either of these factors might substantially alter the tax consequences described below and may require specific identification of positions in the Warrants before the close of the date on which they are acquired. In particular, if the "straddle rules" were to apply, a Warrantholder might be required to defer all or a portion of any loss realized upon the sale, transfer, exercise, cancellation or lapse of a Warrant. Accordingly, prospective purchasers of Warrants are urged to consult their own tax advisors before any such acquisition concerning the U.S. federal, state and local tax consequences, in light of their own particular circumstances, of owning Warrants.

S-35

36

A U.S. Holder will generally recognize capital gain or loss only upon the sale, transfer, exercise, cancellation or lapse of a Warrant, which gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Warrant for more than one year.

Notwithstanding the foregoing, assuming the Warrants remain traded on or subject to the rules of a "qualified board or exchange" (as defined in Section 1256(g)(7) of the Code), they will become "nonequity options" subject to the "mark-to-market" rules of Section 1256 of the Code at such time as either (i) the Commodity Futures Trading Commission (the "CFTC") designates a contract market for a contract based on the AMEX Hong Kong 30 Index or (ii) the Secretary of the Treasury otherwise determines that the Warrants meet the requirements of law for such a designation. No such designation or determination has yet occurred. Nevertheless, an application is currently pending with the CFTC for a designation of a contract market for a contract based on the Hang Seng Index which is an index that is calculated on the basis of a substantially similar weighting of a substantial number of identical securities as, and whose performance is highly correlated to, the AMEX Hong Kong 30 Index. It is not clear what effect such a designation would have on the classification of the Warrants as "nonequity options". If the mark-to-market rules of Section 1256 were to apply to the Warrants, a U.S. Holder of an unexercised Warrant would generally be required (a) to treat the Warrant as if it were sold for its fair market value on the last day of each taxable year during which the U.S. Holder owned the Warrant and (b) to recognize gain or loss as 60% long-term and 40% short-term capital gain or loss. Thus, a U.S. Holder of a Warrant that is subject to the mark-to-market rules of Section 1256 might incur federal income tax liability on an annual basis in respect of an increase in the value of a

Warrant without a corresponding receipt of cash. Under the mark-to-market rules, any gain or loss realized by a U.S. Holder upon the sale, transfer, exercise, cancellation or lapse of a Warrant would also be treated as 60% long-term and 40% short-term capital gain or loss.

Regardless of whether the Warrants are treated as "nonequity options", no portion of gain or loss in respect of a Warrant will be treated as foreign currency gain or loss for U.S. federal income tax purposes.

U.S. FEDERAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF A WARRANT BY A NON-U.S. HOLDER

In general, a Warrantholder who or which is (i) a nonresident alien individual or (ii) a foreign corporation, partnership, estate or trust, in either case not subject to U.S. federal income tax on a net income basis in respect of a Warrant (a "non-U.S. Holder"), will not be subject to U.S. federal withholding tax with respect to amounts received, if any, with respect to a Warrant.

BACKUP WITHHOLDING

In general, the proceeds received from a sale, transfer, cancellation or exercise of a Warrant by a U.S. Holder will be subject to information reporting, and may be subject to a U.S. "backup" withholding at a rate of 31% if the U.S. Holder thereof fails to supply an accurate taxpayer identification number or otherwise comply with applicable U.S. information reporting or certification requirements. Such payments made to a non-U.S. Holder will not be subject to information reporting or back-up withholding if the non-U.S. Holder certifies its status as a non-U.S. Holder under penalty of perjury, provided that the payor does not have actual knowledge that the holder is a United States person. Any amounts so withheld would be refundable or allowed as a credit against such holder's U.S. federal income tax liability.

S-36

37

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, the Company has agreed to sell to each of the Underwriters named below, and each of the Underwriters has severally agreed to purchase, the number of Warrants set forth opposite its name.

<TABLE>  
<CAPTION>

UNDERWRITERS	NUMBER OF WARRANTS
<S>	<C>
PaineWebber Incorporated.....	
Oppenheimer & Co., Inc.....	
Kemper Securities, Inc.....	
Total.....	2,000,000

</TABLE>

The Underwriters have advised the Company that they propose to offer the Warrants to the public initially at the offering price set forth on the cover page of this Prospectus Supplement, and to certain dealers at such price less a concession not in excess of \$ per Warrant. The Underwriters may allow and such dealers may reallow a concession not in excess of \$ per Warrant to certain other dealers. After the initial public offering, the public offering price and such concessions may be changed.

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the

Underwriters will purchase all of the Warrants if any are purchased.

The Company has agreed to indemnify the Underwriters against, and to contribute to losses arising out of, certain liabilities, including liabilities under the Securities Act of 1933, as amended.

PaineWebber Incorporated is a wholly owned subsidiary of the Company. The participation of PaineWebber Incorporated in the offer and sale of the Warrants complies with the requirements of Schedule E of the By-Laws of the National Association of Securities Dealers, Inc. (the "NASD") regarding underwriting securities of an affiliate. Under the provisions of Schedule E, when a NASD member such as PaineWebber Incorporated distributes warrants of an affiliate, the price of the warrants can be no higher than that recommended by a "qualified independent underwriter", as such term is defined in Schedule E, meeting certain standards. In accordance with such requirements, Oppenheimer & Co., Inc. has agreed to serve as a "qualified independent underwriter" and has conducted due diligence and has recommended a price for the Warrants in compliance with the requirements of Schedule E.

Each Underwriter has represented that (i) it has complied and will comply with all applicable provisions of the Financial Services Act of 1986 with respect to anything done by it in relation to the Warrants in, from or otherwise involving the United Kingdom and (ii) it has only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by it in connection with the issue of the Warrants to a person who is of a kind described in Article 9(3) of the Financial Services Act of 1986 (Investment Advertisements) (Exemptions) Order 1988 or is a person to whom the document may otherwise lawfully be issued or passed on.

No person (other than a person permitted to do so under the securities laws of Hong Kong) may distribute this document or any other offering material relating to the Warrants or issue any advertisement or invitation relating to the Warrants in or from Hong Kong except with respect to Warrants intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or as agent.

VALIDITY OF THE WARRANTS

The validity of the Warrants will be passed upon for the Company by Cravath, Swaine & Moore, New York, New York, and for the Underwriters by Sullivan & Cromwell, New York, New York.

S-37

APPENDIX A

AMEX HONG KONG 30 INDEX--UNDERLYING STOCKS

The following is a list of the issuers of the 30 stocks constituting the AMEX Hong Kong 30 Index as of January , 1994. Such information was obtained from the AMEX. The AMEX may delete, add or substitute any stock underlying the AMEX Hong Kong 30 Index. See "The AMEX Hong Kong 30 Index" in this Prospectus Supplement.

STOCKS INCLUDED IN THE AMEX HONG KONG 30 INDEX AS OF JANUARY , 1994, TOGETHER WITH THEIR PERCENTAGE WEIGHT (ROUNDED TO THE NEAREST .01%) IN THE AMEX HONG KONG 30 INDEX AS OF JANUARY , 1994, ARE SET FORTH BELOW:

[update]

<TABLE>  
<CAPTION>

STOCK	PERCENTAGE WEIGHT
[Amoy Properties Ltd.....	1.50%
The Bank of East Asia, Ltd.....	1.42%

Cathay Pacific Airways Ltd.....	2.33%
Cheung Kong (Holdings) Ltd.....	5.12%
China Light & Power Co., Ltd.....	5.55%
CITIC Pacific Ltd.....	2.42%
Dairy Farm International Holdings Ltd.....	1.65%
Dickson Concepts (International) Ltd.....	0.30%
Great Eagle Holdings Ltd.....	0.57%
Hang Lung Development Co. Ltd.....	1.17%
Hang Seng Bank Ltd.....	7.60%
Henderson Investment Ltd.....	0.87%
Henderson Land Development Co. Ltd.....	3.52%
The Hong Kong & China Gas Co. Ltd.....	1.93%
The Hong Kong and Shanghai Hotels, Ltd.....	0.71%
Hong Kong Electric Holdings Ltd.....	3.23%
Hong Kong Land Holdings Ltd.....	3.60%
Hong Kong Telecommunications Ltd.....	11.93%
Hopewell Holdings Ltd.....	2.08%
HSBC Holdings plc.....	10.03%
Hutchison Whampoa Ltd.....	6.74%
Hysan Development Co. Ltd.....	1.35%
Jardine Matheson Holdings Ltd.....	3.46%
Jardine Strategic Holdings Ltd.....	2.02%
New World Development Co., Ltd.....	2.69%
Sun Hung Kai Properties Ltd.....	6.57%
Swire Pacific Ltd. 'A'.....	3.18%
Tai Cheung Holdings Ltd.....	0.37%
The Wharf (Holdings) Ltd.....	3.96%
World International (Holdings) Ltd.....	2.15%]
	-----
Total.....	100.00%
	-----

</TABLE>

As of January , 1994, the total capitalization of the AMEX Hong Kong 30 Index was U.S.\$ billion.

A-1

39

## APPENDIX B

### INDEX OF KEY TERMS

<TABLE>

<CAPTION>

TERM	PAGE ON WHICH TERM IS DEFINED
-----	
<S>	<C>
Alternative Settlement Amount.....	S-25
AMEX.....	front cover, S-3
AMEX Hong Kong 30 Index.....	front cover, S-3
Applicable Hong Kong Business Day.....	S-24
Cancellation Date.....	S-25
Cash Settlement Value.....	front cover, S-3
CEDEL.....	S-18
CFTC.....	S-35
China.....	S-13
Citibank.....	S-16
Code.....	S-35
Company.....	front cover, S-3
Conversion Option.....	S-10
Conversion Option Period.....	S-16
Cooperative.....	S-18
Delisting Date.....	S-2, S-4, S-28
Depositaries.....	S-17

Determination Agent.....	S-21
DTC.....	S-10
Euroclear.....	S-18
Euroclear Operator.....	S-18
Exercise Date.....	S-19
Exercise Notice.....	S-19
Expiration Date.....	S-4, S-19
Extraordinary Event.....	S-24
HK Futures Exchange.....	S-25
HKSE.....	S-4
Hong Kong Business Day.....	S-13
Index Calculation Day.....	S-13
Limit Option.....	S-22
Limit Option Reference Index.....	S-23
Morgan.....	S-16
NASD.....	S-37
New York Business Day.....	S-13
Non-U.S. Holder.....	S-36
PaineWebber.....	S-3
Spot AMEX Hong Kong 30 Index.....	S-9
Strike AMEX Hong Kong 30 Index.....	S-9
Successor Index.....	S-9
Terms and Conditions.....	S-18
Third Party.....	S-9
U.S. Holder.....	S-35
Underlying Stock.....	S-14
Valuation Date.....	S-20
Warrants.....	S-3
Warrant Agent.....	S-14
Warrant Agent's Office.....	S-14
Warrant Agreement.....	S-14
Warrant Certificate.....	S-15
Warrantholder.....	S-9

B-1

40

-----  
 -----  
 NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATES AS OF WHICH INFORMATION IS GIVEN IN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH AN OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

-----  
 TABLE OF CONTENTS

<TABLE>	
<CAPTION>	
	PAGE
	-----
<S>	<C>
PROSPECTUS SUPPLEMENT	
Prospectus Summary.....	S-3
Certain Important Information	
Concerning the Warrants.....	S-9
Use of Proceeds.....	S-14
Description of the Warrants.....	S-14
The AMEX Hong Kong 30 Index.....	S-33

Certain United States Federal Income	
Tax Considerations.....	S-35
Underwriting.....	S-37
Validity of the Warrants.....	S-37
Appendix A: AMEX Hong Kong 30	
Index -- Underlying Stocks.....	A-1
Appendix B: Index of Key Terms.....	B-1
PROSPECTUS	
Available Information.....	2
Documents Incorporated by Reference...	2
Risk Factors.....	3
Paine Webber Group Inc. ....	9
Selected Consolidated Financial	
Data.....	10
Use of Proceeds.....	10
Description of Warrants.....	11
Plan of Distribution.....	14
ERISA Considerations.....	15
Experts.....	15
Legal Opinions.....	16

</TABLE>

-----  
-----  
-----  
-----

TM  
PAINWEBBER

2,000,000 WARRANTS  
PAIN WEBBER GROUP INC.  
AMEX HONG KONG  
30 STOCK INDEX\*  
PUT WARRANTS EXPIRING  
JANUARY 17, 1994

-----  
PROSPECTUS SUPPLEMENT  
-----

PAINWEBBER INCORPORATED  
OPPENHEIMER & CO., INC.  
KEMPER SECURITIES, INC.

-----

JANUARY , 1994

-----

\* The use of and reference to the term "AMEX Hong Kong 30 Index" herein has been consented to by the American Stock Exchange, Inc. The "AMEX Hong Kong 30 Index" is a service mark of the American Stock Exchange, Inc.

-----  
-----

The following information is being furnished pursuant to Item 304 of Regulation S-T promulgated by the Securities and Exchange Commission:

In the paper format version of this Prospectus Supplement there appears a graph depicting the historical performance of the AMEX Hong Kong 30 Index at the



end of each month from January 1989 through January 7, 1994. The information conveyed by such graphic information is described in tabular form in the Prospectus Supplement on pages S-31, S-32 and S-33 under the heading "The AMEX Hong Kong 30 Index -- Historical. Data on the AMEX Hong Kong 30 Index."

C-1