

January 6, 2004

The Hon. Ma Si Hang Frederick
Secretary for Financial Services and the Treasury
Financial Services and the Treasury Bureau
West Wing, Central Government Offices
HONG KONG

By fax and post
(# 2147 3873)

Dear

Re : Securitisation of Future Revenue from Government Toll Roads

At the meeting of the Financial Affairs Panel of the Legislative Council (“FA Panel”) held on January 5, 2004, questions were raised with regard to details of the captioned arrangements. Unfortunately, the representatives present were unable to provide such details. Although I support in principle measures that would help the Government to reduce the deficit, I am deeply concerned that such arrangements would not be in the best interest of the public (in particular the investing public) if insufficient details are provided for legislators to make the proper decision. Some of my questions being:

1. Details of similar arrangements in other jurisdictions, especially those that were unsuccessful (in addition to those that were successful).
2. Details of the organization structure and operations of the Government fully-owned “special purpose issuer”, in particular, its budget and the role between it and the various authorities.
3. Details of the target investors, in particular the percentage to be allocated to the institutional and/or general investing public. This would have an implication to the allocation arrangements. As I understood from the reply at the meeting, the Administration is considering the retail side of the general public. If such were the case, then there should be room for the direct participation of the financial services industry so as to provide a more direct and wider distribution network. Detail arrangements in such respect should be provided. (This view was expressed to and agreed to be reviewed by the Administration back in October 2000 as a result of the experience on public offerings of the MTR and Tracker Fund.)

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4. Details of the possible “recourse arrangements” by the investing public on “obligations of the Government”. The investing public, unlike institutional investors, has limited resources to go after the Government and it is important that there is a simple and quick arrangement.
5. Detail breakdown of the “ancillary expenses” to raise the \$6 billion of the securitisation and the subsequent “incidental costs to the annual or other periodic sum payable”.
6. Detail breakdown of the general gross revenue and net revenue of the toll roads as specified.

The captioned securitisation, if successful, would be able to help to reduce the Government deficit. However, care must be exercised to ensure that proper arrangements and details be exercised.

Thank you very much for your kind attention and I look forward to the reply in details soon.

Yours sincerely,

Henry K C Wu

cc Hon. Ambrose Lau Hon Chuen - Chairman of FA Panel) Fax # 2869 6794
Miss Salumi Chan - Clerk to FA Panel)

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