

28 June 2004

By fax & by mail

Ms. Sarah Yuen
Clerk to the Panel on Housing
Legislative Council Secretariat
3/F Citibank Tower
3 Garden Road
Central
Hong Kong

Dear Ms. Yuen

Divestment of Housing Authority's Retail and Car-parking Facilities

We thank you for your letter of 14 June addressed to Mr. Keith Kerr and as requested, would like to offer our comments as follows.

We are, in principle, supportive of the Housing Authority's plan to divest its retail and car-parking facilities by way of a real estate investment trust ("REIT"). We believe this initiative will help facilitate the development of the REIT market in Hong Kong. In line with international practice in the privatization of public assets of a substantial value, we would recommend that the Housing Authority's REIT be issued in tranches to allow full market forces to set in and determine its optimal pricing level.

As a general comment, to be competitive with REIT markets elsewhere where preferential tax treatment is offered as the norm, we consider it important that preferential tax treatment should also be given to the REITs issued in Hong Kong.

Please note that we shall not be making an oral presentation at the Panel's meeting on 5 July.

Yours sincerely

Louis Loong
Secretary General

c.c. Mr. Keith Kerr, Chairman, Executive Committee