

香港特別行政區政府  
The Government of the Hong Kong Special Administrative Region

房屋及規劃地政局

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26 May 2006

Clerk to LegCo Panel on Financial Affairs  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

(Attn: Miss Salumi Chan)

Dear Miss Chan,

**Legislative Council Panel on Financial Affairs**

**Follow-up to meeting on 3 April 2006**

—  
Thank you for your letter of 8 May enclosing the questions raised by the Honourable James To concerning the listing of The Link Real Estate Investment Fund. The Administration's response is attached.

Yours sincerely,

( Miss Joey Lam )  
for Secretary for Housing, Planning and Lands

**The Administration's Response to the Honourable James To's Questions  
Relating to the Listing of The Link Real Estate Investment Trust**

**Question 1**

- (a) The former Permanent Secretary for Planning, Housing and Lands (Housing) [“PSH”], Mr CM Leung, met with Mr Paul Cheng on or about 3 February 2005 to explore whether he would accept an invitation to be the chairman of The Link Management Ltd. [“LML”].
- (b) On or about 4 March, Mr Paul Cheng verbally informed PSH that he would accept an invitation to be the chairman of LML.
- (c) On 15 March, LML’s board of directors approved by circulation the appointment of Mr Paul Cheng as chairman of LML with effect from 1 April 2005.
- (d) On 24 March, LML issued a formal appointment letter to Mr Paul Cheng, who accepted the appointment formally on the same date.

**Questions 2 - 5**

- (a) After the board of directors of LML had approved the appointment of Mr Paul Cheng as chairman with effect from 1 April, but before the issue of the formal appointment letter to Mr Paul Cheng, Mr Paul Cheng verbally informed PSH that he had been invited by Deutsche Bank [“DB”] to be its adviser, and asked PSH to advise whether he could accept it. The exact date could not be ascertained as there was no written record. Since DB was not directly involved in the Link REIT IPO and did not provide any service to LML or The Link REIT, the question of conflict of interest did not arise. Hence, PSH did not ask for details about the adviser position nor raise any objection to it.

- (b) Subsequently, and before 1 April, Mr Paul Cheng informed the Company Secretary of LML (who was the secretary to LML's board) about his DB appointment. The Company Secretary then arranged for the inclusion of this additional information in Mr Paul Cheng's bio-data which was published on LML's website on 1 April.

### Question 6

The HA did not know whether or not Mr Paul Cheng received any remuneration for serving as an adviser to DB, until he disclosed the information to the LegCo Financial Affairs Panel in April this year.

### Questions 7 & 8

There is a discrepancy between the HA's press statement dated 8 December 2005 and the paper submitted to the LegCo Financial Affairs Panel for discussion on 14 December 2005, on when Mr Paul Cheng first informed the HA about his adviser role with DB. We confirm that the account as stated in the paper considered by the Panel is the correct one. A chronology of events explaining the reasons for the discrepancy is provided at Annex.

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### Question 9

In considering candidates for appointment to LML's board as independent non-executive directors, the HA reviewed the candidates' background, including positions (known to the HA) that the candidates were holding that might had conflict with their appointment as an independent non-executive director of LML. The HA also requested candidates to review their association with other organisations and to declare any potential conflict of interest. The HA did not ask candidates to disclose detailed information about all the remunerated positions that they held.

### **Chronology of Events in December 2005**

- (a) On 7 December, a reporter from a local newspaper asked LML to comment on potential conflict of interest between Mr Paul Cheng's role as chairman of LML and his adviser role with DB, in the light of DB's disclosure that it had acquired more than 5% of The Link REIT. LML replied to the reporter on the same day. The HA received a copy of the reporter's written enquiry and LML's response.
- (b) On 8 December, the newspaper concerned published an article on the matter.
- (c) After the article was published on 8 December, the HA received numerous media enquiries and needed to respond on the same day. As PSH (Mr C M Leung) was on leave in December 2005, it was not possible to check with PSH exactly when he was first informed by Mr Paul Cheng of his DB appointment.
- (d) In the short time available, and as there was no written record, the HA consulted the former Company Secretary of LML (at the time Mr Paul Cheng was appointed chairman), and was informed that DB made a public announcement<sup>1</sup> about the appointment of Mr Paul Cheng as its adviser in late April 2005, and that Mr Paul Cheng had informed the HA (PSH) about the appointment around that time. The HA and LML each made a press statement to this effect on 8 December.
- (e) Subsequently, after further recollection the Company Secretary of LML told the HA that in fact Mr Paul Cheng had sought the views of PSH in late March. In addition, Mr Paul Cheng's adviser role with DB was included in his bio-data on the LML's website on 1 April 2005. This was verified against email correspondence record at that time. Hence, in the LegCo Financial Affairs Panel paper, we mentioned that Mr Paul Cheng had informed the HA shortly before 1 April about his DB appointment.

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<sup>1</sup> A copy of the press announcement is at Appendix.

# Press Release

Deutsche Bank



FOR IMMEDIATE RELEASE

## Deutsche Bank Appoints Mr. Paul M F Cheng as senior advisor in Asia Pacific region

Hong Kong, 25 April 2005: Deutsche Bank today announced the appointment of Mr. Paul M F Cheng as a senior advisor in the Asia Pacific region.

Mr. Cheng has a distinguished career as both a corporate and community leader. He was appointed Chairman of The Link Management Limited on 1 April 2005. This company has recently assumed management responsibilities for a portfolio of government-owned retail and car parking assets pending the IPO relaunch. Mr. Cheng also serves as an independent non-executive director on several Hong Kong listed companies. He was formerly Chairman of Inchcape Pacific Limited and N M Rothschild & Sons (HK) Ltd. As a community leader, he was a former member of the Legislative Council and former Chairman of the Hong Kong General Chamber of Commerce as well as the American Chamber of Commerce in Hong Kong.

Announcing the appointment of Mr. Cheng, Colin Grassie, Chief Executive Officer of Deutsche Bank Asia Pacific (ex Japan), said: "Mr. Cheng has an impeccable reputation and credentials both in the business and political arena and through his contribution to the broader community. He brings a great depth of relationships which will assist us in further developing our franchise in Greater China and throughout Asia."

Mr. Cheng is an Honorary Fellow of the Hong Kong University of Science and Technology. He holds a BA degree from Lake Forest College (Illinois, USA) and an MBA degree from the Wharton Graduate School of Business at the University of Pennsylvania.

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### About Deutsche Bank

With Euro 840 billion in assets and 65,400 employees, Deutsche Bank offers unparalleled financial services in 74 countries throughout the world. Deutsche Bank competes to be the leading global provider of financial solutions for demanding clients creating exceptional value for its shareholders and people.

Deutsche Bank ranks among the global leaders in corporate banking and securities, transaction banking, asset management, and private wealth management, and has a significant private & business banking franchise in Germany and other selected countries in Continental Europe.

In Asia Pacific, Deutsche Bank has over 45 offices in 16 countries with approximately 6,500 staff.

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