



The Link Management Limited 領匯管理有限公司

Clerk to the Panel on Financial Affairs  
Legislative Council Secretariat,  
Legislative Council Building  
8 Jackson Road, Central,  
Hong Kong.  
(Attn. : Miss Salumi Chan)

*By fax and despatch*

|           |   |           |
|-----------|---|-----------|
| Fax       | : | 2869 6794 |
| Your Ref. | : | CB1/PL/FA |

25 May 2006

Dear Miss Chan,

### Hon James To's Letter B


I refer to your letter of 8 May 2006 concerning the captioned letter.

My response to the questions is **attached**. Please also refer to my letters of 12 and 13 December 2005 to the Panel which gave a detailed account of my advisory role with Deutsche Bank (DB) and explained that it did not create any conflict of interest situation with my duties as Chairman of the Board of Directors of The Link Management Limited (LML). The Panel has also been apprised of the Government's position in this matter.

I would like to also remind Hon. James To that all relevant parties, i.e. the Housing Authority and LML's Board have both concluded that there is no conflict of interest between my role as Chairman of LML and being an adviser in the region for Deutsche Bank (DB). DB has also clarified from an operational standpoint that there is no conflict as their trading operation purchases securities (including The Link REIT units) on behalf of their clients on a daily basis. Under no circumstances would a regional advisor be involved in such detailed day-to-day matters. LML has in place internal governance policies designed to ensure the Board's decision-making is conducted independently and impartially. As the manager of a REIT, our governance and operation are regulated by the Securities and Futures Commission.

I trust the various documents and correspondences provided to the panel, and LML's representatives attending your meeting in April should have sufficiently addressed the issues raised by the panel's members.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Cheng', with a stylized flourish at the end.

(Paul CHENG Ming-fun)  
Chairman, Board of Directors

cc : Hon Bernard CHAN, JP (Chairman)  
Hon James TO Kun-sun  
Secretary for Housing, Planning and Lands (Fax : 2537 5139)  
Secretary for Financial Services and the Treasury (Fax : 2147 3873)

## **Reply to Honourable James To's Letter**

### **Question 1**

The former Director of Housing – MR C M Leung - met me in early February, 2005 and asked if I would accept an invitation to be the Chairman of LML. I received the formal letter of appointment on 24 March, 2005 and confirmed acceptance on the same day.

### **Question 2**

Inappropriate to comment on Deutsche Bank (DB)'s appointment process. My terms of appointment were private matters and were not relevant factors relating to my appointment to LML Board.

### **Question 3**

DB's letter of appointment was dated 25 April 2005 with the appointment taking effect from 1 April 2005. DB press statement dated 25 April 2005 concerning the appointment is at **Annex 1**.

### **Question 4 & 5**

The former Director of Housing, Mr C M Leung, was consulted verbally in March 2005 and informed in general terms about the nature of the adviser position with DB. He did not raise any objection to my acceptance of the adviser position with DB. After clearance from Mr Leung, LML Board Secretary was informed verbally and the advisory role was included in my bio-data on LML's website on 1 April 2005.

### **Question 6.**

No.

### **Question 7**

Not applicable (N/A).

### **Question 8**

N/A. There was no conflict of interest arising from my advisory role with DB and my responsibilities as Chairman, LML Board. DB did not provide any services to LML; it was not involved in the then IPO process, and the adviser role did not contravene LML's criteria in assessing the independence of a non-executive director as set out in Appendix 4 of its Corporate Governance Policy – attached at **Annex 2**.

### **Question 9**

N/A. See reply to Question 8 above.

### **Question 10**

N/A. See reply to Question 8 above.

### **Question 11**

The question of conflict of interest did not arise – see reply to Question 8 above.

### **Question 12**

See my letter dated 12 December 2005 concerning the adviser's role.

### **Question 13**

This is a private matter.

### **Question 14**

No.

## 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.

For further information contact: *Yim Sauw +852 2203 7077*

#### **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.

[www.db.com](http://www.db.com)

## Appendix 4 Independence of Directors

In assessing the independence of a non-executive Director, the Board will take into account the following factors, none of which is necessarily conclusive. Independence is more likely to be questioned if the Director:

- (i) holds more than 1% of the total issued units of The Link REIT;

*Notes:*

1. Any candidate for appointment as an INED who holds an interest of more than 1% must satisfy the Board, prior to such appointment, that the candidate is independent. A candidate holding an interest of 5% or more will normally not be considered independent.

2. When calculating the 1% limit, the Board must take into account the total number of units held legally or beneficially by the Director, together with the total number of units which may be issued to the Director or his nominee upon the exercise of any outstanding options, convertible securities and other rights (whether contractual or otherwise) to call for the issue of units.

- (ii) has received an interest in any securities of The Link REIT as a gift, or by means of other financial assistance, from a **"connected person"** (as defined in the REIT Code, and the same as below) or The Link REIT itself (however, subject to Note 1 to paragraph (i) above), the Director will still be considered independent if he receives units or interest in securities from The Link REIT or its subsidiaries (but not from connected persons) as part of his Director's fee or pursuant to any option schemes established by The Link REIT);
- (iii) is a director, partner or principal of a professional adviser which currently provides (or has, within one year immediately prior to the date of his proposed appointment, provided) services, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to:
  - (a) The Link REIT or any connected persons of The Link REIT; or
  - (b) any person who was a **"significant holder"** (as defined in the REIT Code, and the same as below) or, where there was no such significant holder, any person who was the chief executive or a director (other than an INED), of the Company or of any other subsidiaries of The Link REIT within one year immediately prior to the date of the proposed appointment, or any of their associates;
- (iv) has a material interest in any principal business activity of or is involved in any material business dealings with The Link REIT or with any connected persons of The Link REIT;
- (v) is on the Board specifically to protect the interests of an entity whose interests are not the same as those of the Unitholders as a whole;
- (vi) is or was connected with a director or the chief executive of the Company or of any other subsidiaries of The Link REIT, or with a significant holder of The Link REIT, within two years immediately prior to the date of his proposed appointment;

*Note:* Without prejudice to the generality of the foregoing, any person cohabiting as a spouse with, and any child, step-child, parent, step-parent, brother,

*sister, step-brother and step-sister of, a Director, the chief executive or a significant holder of The Link REIT is, for the purpose of paragraph (vi) above, considered to be connected with that Director, chief executive or significant holder. A father-in-law, mother-in-law, son-in-law, daughter-in-law, grandparent, grandchild, uncle, aunt, cousin, brother-in-law, sister-in-law, nephew and niece of a Director, the chief executive or a significant holder of The Link REIT may in some circumstances also be considered to be so connected. In such cases, the candidate will need to provide the Board with all relevant information to enable the Board to make a determination.*

- (vii) is, or has at any time during the two years immediately prior to the date of his proposed appointment been, an executive or director (other than an INED) of the Company or of any other subsidiaries of The Link REIT or of any connected persons of The Link REIT; and

*Note: An "executive" includes any person who has any management function in The Link REIT and any person who acts as a company secretary of the Company or the other subsidiaries of The Link REIT.*

- (viii) is financially dependent on The Link REIT or any connected persons of The Link REIT.

*Note: The factors set out in this Appendix are included for guidance only and are not intended to be exhaustive. The Board may take account of any factors relevant to a particular case in assessing independence.*