

The Link Management Limited 領匯管理有限公司

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

12 December 2005

Dear Miss Chan,

**Panel on Financial Affairs  
Special Meeting on 14 December 2005**

Thank you for your letter of 10 December 2005 and your invitation for management representatives of The Link Management Limited (the Company) and myself to attend the captioned meeting. Unfortunately, due to the short notice and my prior commitment in China, we are unable to attend the meeting.

As the main issues covered by the agenda relate to matters which fall under the Housing Authority and the Government in establishing The Link REIT and the Company, we hope that their clarification on these issues would provide you with a full understanding.

We wish, however, to comment two issues raised in your letter, viz questions about the welfare lettings and the alleged conflict of interest between

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my advisory role with the Deutsche Bank and as the Chairman of the Company.

We have a covenant with the Housing Authority relating to the continued concessionary rental for the existing and therefore designated welfare premises at specific centres. We will continue to abide by these arrangements. The welfare agency mentioned in Hon. Albert Cheng's letter wanted to relocate from its existing premises to an alternative location. The agency concerned selected premises which are not designated as welfare premises and if it wishes to lease the non-welfare designated premises, it would have to pay the market rent. The management has offered the agency alternative welfare designated premises which are under consideration by the agency.

I had verbally informed the Housing Authority and the Company of my advisory role as a member of the Deutsche Bank Asia Pacific Regional Advisory Board prior to accepting appointment as an independent non-executive director and Chairman of the Company on 1 April 2005. I must, therefore, refute any speculations as to why that advisory position was not included in my bio-data in the Offering Circular. Let me explain.

The Advisory Board –

- (a) *performs no executive functions.* The nature of the Advisory Board is not that of a board of directors, but a group of respected individuals who may be consulted for their opinions on a range of “big picture” issues of importance to the bank. The Advisory Board has no control, right of appointment or right of vote with respect to the Executive Board; and

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- (b) is not yet fully constituted, as not all the advisors in the region have been appointed.

Given the general and advisory nature of my role with the Deutsche Bank and the focus in the Offering Circular on the requirement to disclose other directorships, we did not consider the details of my advisory position with Deutsche Bank to be material information for the purposes of disclosure in the Offering Circular at the time of its publication. I hope it would be clear that I have at no time sought to conceal this involvement as an advisor to Deutsche Bank. Indeed this role has always been disclosed in my profile on the Company's website from 1 April 2005 and my business card.

I first became aware of Deutsche Bank's acquisition of the Units in the secondary market following the publication of the newspaper articles on 7 December 2005. The Board of Directors met last Friday (9 December 2005) and reviewed my position following these newspaper articles. The Board concluded that in accordance with the factors to be taken into account in assessing a director's independence under Appendix 4 of the Company's Corporate Governance Policy (copy at **Annex 1**), my position as an advisor is not a factor that affects the assessment of the independence of an independent non-executive director and Deutsche Bank is not a connected person of The Link REIT. The Board subsequently issued a press statement (copy at **Annex 2**) to re-affirm my position.

The foregoing explains clearly that there was and still is no real conflict of interest between my position as an advisor to Deutsche Bank and my responsibilities as an independent non-executive director and chairman of the Company. However, I am mindful of the perception issue since Deutsche Bank has acquired over 5% of the Units. I enclose a copy of a press

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statement (at **Annex 3**) issued by Deutsche Bank on 9 December 2005 in response to the recent media speculation on my role with Deutsche Bank.

The Company is licensed as the Manager of The Link REIT by the Securities and Futures Commission (SFC) and we are accountable to SFC and must abide by its rules, in addition to the investors. I will continue to review my position and consult The Link Board going forward.

Yours sincerely,

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

Paul CHENG Ming-fun, JP  
Chairman of The Board of Directors  
The Link Management Limited

cc : Secretary for Financial Services and the Treasury (Fax : 2147 3873)  
Secretary for Housing, Planning and Lands (Fax : 2537 5139)  
Chairman, Securities and Futures Commission (Fax : 2845 9553)  
Chairman, Hong Kong Exchanges and Clearing Limited (Fax 2521 8261)

## 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.*

The Link Management Limited 領匯管理有限公司

For Immediate Release  
9 December 2005

**Annex 2**

### **The Link Management's Board of Directors Affirms Independence of Mr Paul Cheng as Chairman**

The Board of Directors of the The Link Management Limited ("the Company"), manager of The Link REIT, affirms, at a meeting today, the independence of Mr. Paul Cheng as the Company's Chairman and its support for Mr. Cheng's Chairmanship, after considering the criteria adopted by the Company in determining the independence of a non-executive director.

The criteria considered by the Board include:

- whether the Director concerned is a director, partner or principal of an entity that is providing advice or services to The Link REIT
- whether the Director concerned has any material interest or involved in any material business dealings with The Link REIT or with any connected persons
- whether the Director concerned is connected with a significant holder

Under the the REIT Code, a person who has acquired 10% or more of all the units in issue is deemed a "significant holder". Deutsche Bank (DB) is not a significant holder, a connected person or service provider of The Link REIT. Mr. Cheng is only a senior advisor and does not perform any executive functions in DB. The Board concluded that Mr. Cheng's independence is not affected by his position as a Senior Advisor on DB's Asia Pacific Regional Advisory Board.

According to the Trust Deed of The Link REIT, a significant holder is required to inform the Company of such holding within 3 business days. The above reporting requirement enables the Company and its Board of Directors to be aware of cases in which a Director's independence may be called into question, and decide if a Board meeting should be convened to determine the independency of the Director. This ensures the Board's decision-making remains independent and impartial.

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#### About the The Link REIT

The Link Real Estate Investment Trust (Hong Kong stock code: 823) is the first REIT listed in Hong Kong. Managed by The Link Management Limited, The Link REIT invests in 180 retail and carpark facilities. With an Internal Floor Area ("IFA") of approximately 960,000 sq.m of retail space and around 79,000 carpark spaces, it is the largest such portfolio held by a single owner in Hong Kong. These properties are on the doorstep to 40% of Hong Kong's seven-million population.

For Media Enquiries:

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

請即時發布

2005 年 12 月 9 日

## 領匯管理有限公司董事會 確認鄭明訓先生作為公司主席的獨立性

領匯房地產投資信託基金（「領匯基金」）之管理人領匯管理有限公司（「本公司」）之董事會在今天的會議上，經考慮本公司對非執行董事獨立性的既定準則後，確認鄭明訓先生作為本公司主席的獨立性，並支持鄭先生作為本公司主席。

董事會所考慮的準則包括：

- 有關董事是否向領匯基金提供建議及服務的實體之董事、伙伴或委託人
- 有關董事是否於領匯基金或任何關連人士之任何主要營業活動中擁有任何重大權益，或者涉及與其有任何重大商業交易
- 有關董事是否與領匯基金之重要持有人有關連

根據〈房地產投資信託基金守則〉，持有已發行基金單位一成或以上者即為重要持有人。德意志銀行（「該行」）並非領匯基金的重要持有人、關連人士或服務供應商。鄭先生於該行謹為資深顧問，並無行政職能。董事會因此認為鄭先生的獨立性，並不受其作為該行亞太區顧問委員會資深顧問所影響。

根據領匯基金的信託契約，重要持有人需於三天內通知本公司其持有單位權益。上述匯報要求讓本公司及董事會得知董事獨立性可能受質疑的個案，並決定是否召開會議就有關董事獨立性作決定。此安排確保董事會決策保持獨立及公平。

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### 有關領匯

領匯房地產投資信託基金（香港上市編號：823）是首個在香港上市的房地產投資信託基金，由領匯管理有限公司管理，並投資於 180 項零售和停車場設施。領匯基金旗下物業，共有約 96 萬平方米的零售樓面（以室內樓面面積計），約 79,000 個車位，是全港由單一業主持有的最大零售物業組合。全港 700 萬人口約四成居於這些物業附近。

### 傳媒垂詢

企業傳訊經理 繆美詩小姐 電話： 2175-1801 / 7100-3345



**In response to the recent media speculation on the role of Mr Paul Cheng as an advisor to Deutsche Bank:**

Mr Paul Cheng was appointed a senior advisor to Deutsche Bank in April 2005. His role extends to providing guidance and counsel to Deutsche Bank management on the general business and commercial environment in Hong Kong and Asia; its overall business development in Asia; and the Bank's charitable activities through the Deutsche Bank Asia Foundation.

Mr Cheng is the first external appointment to an Advisory Board being established by Deutsche Bank in Asia that will assist in formulating Deutsche Bank strategy in the region. In his capacity as a senior advisor to Deutsche Bank, Mr Cheng is not involved in any discussions or decisions in relation to the Bank's day to day trading activities.

The consolidated holding of various Deutsche Bank entities in Link REIT – which include positions held on behalf of clients and its asset management business - were routinely reported and could not in any way have been influenced by, or known by, any adviser of Deutsche Bank, including Mr Cheng.