

立法會
Legislative Council

LC Paper No. CB(1) 574/05-06
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by the Administration)

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Panel on Housing

**Minutes of special meeting
held on Thursday, 20 October 2005, at 8:30 am
in the Chamber of the Legislative Council Building**

- Members present** : Hon CHAN Kam-lam, SBS, JP (Chairman)
Hon LEE Wing-tat (Deputy Chairman)
Hon Albert HO Chun-yan
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon WONG Kwok-hing, MH
Hon Alan LEONG Kah-kit, SC
Hon CHEUNG Hok-ming, SBS, JP
Hon Albert Jinghan CHENG
- Member attending** : Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
- Members absent** : Hon CHAN Yuen-han, JP
Hon LEUNG Yiu-chung
Dr Hon YEUNG Sum
Hon Abraham SHEK Lai-him, JP
Hon Frederick FUNG Kin-kee, JP
Dr Hon Joseph LEE Kok-long
Hon LEUNG Kwok-hung
Hon Patrick LAU Sau-shing, SBS, JP
- Public officers attending** : **Agenda item I**

Mr Michael M Y SUEN, GBS, JP
Secretary for Housing, Planning and Lands

Mr C M LEUNG, JP
Permanent Secretary for Housing, Planning and Lands
(Housing)

Mr TAM Wing-pong, JP
Deputy Secretary for Housing, Planning and Lands
(Housing)

Mr Kenneth MAK, JP
Deputy Director (Corporate Services)
Housing Department

Ms L K LAM
Assistant Director (Divestment)
Housing Department

Mr Albert LEE
Assistant Director (Commercial Properties)
Housing Department

Mr Martin GLASS, JP
Deputy Secretary for Financial Services and the Treasury
(Treasury)

Mr Victor SO, JP
Chief Executive Officer
The Link Management Limited

Ms Amy LO
Partner, Clifford Chance

Clerk in attendance : Miss Becky YU
Chief Council Secretary (1)1

Staff in attendance : Mr Jimmy Y T MA, JP
Legal Adviser

Ms Pauline NG
Assistant Secretary General 1

Mr KAU Kin-wah
Assistant Legal Adviser 6

Mr WONG Siu-yee
Senior Council Secretary (1)7

Miss Mandy POON
Legislative Assistant (1)4

I. Progress of the divestment of the Housing Authority's retail and car-parking facilities

- (LC Paper No. CB(1) 1787/04-05(05) -- Information paper provided by the Administration
- LC Paper No. CB(1) 2256/04-05(01) -- Information paper provided by the Administration
- LC Paper No. CB(1) 2349/04-05(01) -- Information paper provided by the Administration
- LC Paper No. CB(1) 62/05-06(01) -- Updated background brief on "Divestment of Housing Authority's Retail and Car-parking Facilities" prepared by the Legislative Council Secretariat
- LC Paper No. CB(1) 62/05-06(02) -- Letters from Hon Albert CHAN to the Administration (Chinese version only)
- LC Paper No. CB(1) 62/05-06(03) -- Information paper provided by the Administration
- LC Paper No. CB(1) 108/05-06(01) -- Administration's response to the letters from Hon Albert CHAN (Chinese version only)

The Secretary for Housing, Planning and Lands (SHPL) briefed members on the latest progress of the divestment of the Housing Authority (HA)'s retail and car-parking (RC) facilities and the preparatory work for the Initial Public Offering (IPO) of The Link Real Estate Investment Trust (REIT), the details of which were given in the **Appendix**.

Re-launching of The Link REIT IPO

2. Mr LEE Wing-tat said that Members of the Democratic Party were in support of the divestment project. Referring to the target of allocation, Mr LEE asked whether the percentage share of retail investors under the Hong Kong Public Offering (HKPO) would be optimized in the re-launched offering. In response, SHPL said that HA intended to allocate units to HKPO with a percentage share no less than the 2004 IPO, depending on the strength of interest in HKPO. Taking into account the experience gained in the 2004 IPO which showed that demand for units was broadly based, HA decided not to appoint any cornerstone investors. This would allow greater flexibility to allocate more units to other investors, including retail investors. While it remained HA's target to allocate units to every valid application in the re-launched offering, this could not be guaranteed as it would hinge on the overall number of applications.

3. Mr Albert CHENG asked how HA could ensure that its investment return from the proceeds of divestment would not be less than the dividend yield of The Link REIT. He said that if HA would only get a lower return, HA would be seen to have sold the properties cheaply. The Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) advised that the purpose of the divestment was to enable HA to focus on its primary mission of providing subsidised rental housing, as well as to have the necessary funding from the proceeds of divestment to meet its capital expenditure on future public rental housing construction. He added that as in the case of any other investments, HA could not guarantee that the return from investing the proceeds of divestment would reach a certain level. Mr CHENG was not convinced of the Administration's response. He pointed out that if this was the case, HA should shelve the divestment.

4. Mr Alan LEONG asked if HA had conducted litigation risk assessment on the re-launched offering and how such risks would be disclosed. PSH said that in light of the experience from the 2004 IPO, HA acknowledged that the disclosure of litigation risks was a key issue of concern for the re-launched offering. To prepare for the re-launch of IPO, legal opinions from eminent Senior Counsels in Hong Kong and London had been obtained. As Hong Kong was a place with rule of law, no one could entirely preclude the possibility of further legal challenges. There would be appropriate disclosure in the Offering Circular (OC) for the new offering on the risks of possible legal challenges so that potential investors could assess the risk before making their investment. HA would also put in place contingency measures, such as the provision of "withdrawal rights" to investors, to deal with such challenges. In response to Mr LEONG's further enquiry on whether OC would clearly specify the circumstances under which investors could exercise their "withdrawal rights", PSH regretted that he could not disclose more details before the publication of OC.

5. Mr Albert HO emphasized the need to include all the undertakings made by The Link Management Limited (The Link) to HA in OC to ensure compliance. The Deputy Director (Corporate Services) (DD(CS)) confirmed that all legal undertakings, including the continuation of the concessionary rent arrangement for welfare facilities, had been included in OC. SHPL added that even when the properties were under HA ownership, changes to management polices would be required from time to time taking into account prevailing circumstances.

Treatment of proceeds from divestment

6. Mr Albert CHAN expressed dissatisfaction with the Administration's response (LC Paper No. CB (1) 108/05-06(01)) to his letters (LC Paper No. CB(1) 62/05-06(02)) regarding the policy decision to allow HA to retain the proceeds from the divestment of its RC facilities. He pointed out that under the financial arrangements between the Government and HA (the Financial Arrangements), the value of land for the non-domestic portion of public rental housing estates and Home Ownership Scheme courts was treated as Government's contribution to non-domestic equity in HA. In

return for this contribution, the Government received 50% of the net operating surplus generated from HA's non-domestic operation every year. The Financial Arrangements were endorsed by the Finance Committee (FC) in 1988. He therefore remained of the view that the policy decision to allow HA to retain all the proceeds from the divestment represented a deviation from the Finance Arrangements and would require the approval of FC. The judgement of the Court of Final Appeal on the judicial review of HA's power to divest its properties had also confirmed that the Government would in effect be injecting its entitlement into HA by allowing the latter to retain all the divestment proceeds. He then sought the Legal Adviser (LA)'s advice on whether such "injection" was in conformity to Articles 64 and 73 of the Basic Law (BL) and the Public Finance Ordinance (Cap. 2) (PFO) regarding the power of the Legislative Council (LegCo).

7. In response, LA said that while he was not in a position to comment on the Financial Arrangements which were made between the Government and HA, it seemed that the Government's entitlement under the Financial Arrangements to receive 50% of the net surplus from the operation of HA's RC facilities was based on the assumption that these facilities would continue to operate under the same mode. It would be for the Government to answer the questions of whether the divestment would fundamentally change the said mode and whether HA was contractually obliged to pay 50% of the divestment proceeds to the Government.

8. As to whether the retention of divestment proceeds by HA would amount to incurring any expenditure on the part of the Government which would require the approval of FC, LA pointed out that Sections 3 and 4 of PFO respectively provided that any moneys raised or received for the purposes of the Government should form part of the general revenue, and that no expenditure should be charged on the general revenue except as provided by or under the Ordinance. The relevant parts of Articles 64 and 73 of BL conferred LegCo with the power to approve public expenditure, through enactment of the Appropriation Bill or endorsement of funding proposals by FC. However, the meaning of the term "public expenditure" as it appeared in the Basic Law and local legislation was not defined by legislation nor determined by the courts. A similar question was also raised in the Phase I Report of the Subcommittee on West Kowloon Cultural District Development. The Subcommittee noted the Government's position that there was no need to ask LegCo's approval because the West Kowloon Cultural Development project was financially free-standing, and it did not involve the charging of expenditure on the general revenue. However, the Subcommittee considered that disposal of valuable land resources which was likely to be at less than market value or was likely to be used as public subsidy in money or in kind should be subject to the same scrutiny as public expenditure. Mr Alan LEONG said that the Administration should now be well aware of the dire consequences associated with the improper use of Government land after the row over the West Kowloon Cultural District Development. He cautioned about the political price which the Administration would have to pay if it did not handle the divestment project properly.

Staffing matters

9. Mr WONG Kwok-hing recalled that the Administration had pledged that the divestment would not affect the some 600 civil servants who were responsible for managing or maintaining the RC facilities. With the introduction of the Voluntary Exit Scheme (VES), he was concerned that the civil servants concerned would be forced to leave. DD(CS) advised that the Housing Department (HD) had put in place a comprehensive plan to redeploy surplus staff to other duties such as estate management, and that there would not be any forced redundancy of civil servants as a result of the divestment. As regards VES, DD(CS) said that this was aimed at dealing with the staff surplus arising from the divestment project. During the two-month application period, 156 civil servants in HD applied for VES. Of these applications, 72 were approved and 84 were subsequently withdrawn. Among the 72 civil servants whose applications were approved, 13 joined The Link.

10. Mr Tommy CHEUNG enquired about the staffing situations of both The Link and HD after the divestment. The Chief Executive Officer (CEO)/The Link explained that The Link had an establishment of 300 of which 275 had been filled. The need to fill the remaining posts would be considered taking into account the actual demand after completion of the divestment project. As for HD, PSH said that only 150 of the some 600 civil servants originally in the Commercial Properties Division were now left in the Division to deal with the remaining work. They would be eventually redeployed to other sections within HA. There would be sufficient jobs to absorb the staff concerned and no redundancy was anticipated.

11. Mr WONG Kwok-hing was concerned about the impact of the divestment on contract staff. He enquired about the number of contract staff affected, the measures which the Administration had taken to assist them in finding new jobs and the employment situation of these contract staff. DD(CS) advised that to minimize the impact on these staff, HA would endeavour to identify suitable opportunities for redeployment within HD for them. In case no such opportunity could be identified, their contracts would not be renewed upon expiry. It was expected that less than 100 contract staff would be affected. 44 contract staff had joined The Link. HA would try to redeploy surplus contract staff to other jobs as far as possible. He did not foresee any significant difficulty in this regard. He undertook to provide further information in writing to Mr WONG's questions on contract staff as well as the arrangements for existing service contractors after the divestment.

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12. Mr Albert CHENG sought clarification on the allegation that after the listing of The Link REIT, The Link would not abide by the Government's requirement for minimum monthly wages of non-skilled workers in assessing certain types of service contracts. If this was the case, it would run contrary to the pledge in the Chief Executive's Policy Address to encourage the business community, in the spirit of corporate social responsibility, to follow the level of average monthly wages announced by the Government in paying their non-skilled workers. Mr WONG Kwok-hing

recalled that during a meeting with Mr CHEUNG Kin-fat, representative of The Link, he was assured that wages of non-skilled workers of service contractors of The Link would be higher than the minimum monthly wages. He urged The Link to honour its undertaking.

13. In response, CEO/The Link said that The Link had set high service requirements for its service contractors. As such, they would not be able to attract quality workers to provide the required service standards if their wages were not comparable with the market level. Besides, anonymous surveys would be conducted to gauge the views of staff of service contractors on any malpractice, such as unreasonable wages, on the part of the contractors. PSH added that after the listing of The Link REIT, The Link would become a private company and had no direct relationship with the Government. It would operate on commercial principles and decide its own business strategies, such as wage policy.

14. Mr Albert CHAN however questioned the effectiveness of The Link in managing the divested properties having regard to the unsatisfactory performance of the Hong Kong Housing Society (HS) in managing its properties when CEO/The Link was the former Executive Director of HS. While acknowledging that The Link would become a private company after the listing of The Link REIT, Mr LEE Wing-tat opined that it still had its social responsibility. In this connection, he suggested that The Link should promulgate a corporate statement that it would adopt the best practices in respect of environmental protection, wage and rent levels etc. He hoped that the Administration would relay his suggestion to the Board of Directors of The Link for consideration. SHPL undertook to convey views expressed by members at the current meeting to the Chairman of The Link.

Rent and tenancy matters

15. Mrs Selina CHOW enquired about the rent policy of The Link. She was concerned that The Link would increase the rents sharply to bring these on a par with the market level. Mr LEE Wing-tat also asked about the rent-setting mechanism of The Link. He considered it necessary for The Link to maintain dialogue with shop tenants to address their concerns about possible rental increases. Mr WONG Kwok-hing said that he had received complaints about rental increases from tenants after The Link had taken over the management of RC facilities from HD. As the majority of these shops were small businesses, sharp rental increases would force them out of business and in turn would affect the daily life of residents of the housing estates. Given that the expectation of investors would be different from shop tenants, he asked how The Link could strike a balance between their interests. Mr Albert CHAN echoed that he had received complaints from shop tenants in On Ting Estate about poor business, much worse than the period during the outbreak of the Severe Acute Respiratory Syndrome. However, instead of reducing the rents, The Link had increased the rents regardless of their affordability.

16. In response, CEO/The Link said that rental increase was not the key point of The Link's business strategies as evidenced from OC. The Link's primary focus would be on controlling operating costs and improving operational efficiency of the divested RC facilities as set out in OC. The Link intended to implement various initiatives aimed at improving the overall commercial attractiveness of, and shopper traffic and tenants' sales at, the divested RC properties, which would in turn enhance their rental potential. Like any landlord, The Link would consider a variety of factors, such as the trades operated by the tenants, the market situation and the rental value of similar premises in the vicinity, when setting rent. The market mechanism would effectively point to any adjustments required to keep the rents at a reasonable level. CEO/The Link added that The Link viewed the shop tenants as an important partner of its business and was keen to maintain communication with them. The Link would pro-actively approach the shop tenants to discuss tenancy renewal before the expiry of their tenancy agreements. At present, nearly 90% of the some 600 tenancies had been renewed and the overall rent level remained stable. The Assistant Director (Commercial Properties) (AD(CP)) supplemented that rents of 53% of the renewed tenancies remained unchanged, 34% involved rental increase while 12% involved rental reduction. The overall rental deviation was about 1%.

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17. Mr WONG Kwok-hing requested for more detailed breakdown of rents for individual RC facilities. AD(CP) said that it might not be appropriate for The Link to release sensitive information in commercial contracts. As an alternative, the Chairman requested the Administration to provide the range of rental increase or reduction for members' information. He also opined that consideration should only be given to increasing rents after business improved to achieve a win-win situation for both The Link and shop tenants.

18. Mr Tommy CHEUNG enquired about situation of those longer leases with rent concession. CEO/The Link said that most of the 200 relevant leases, which involved restaurants, supermarkets and convenient stores, were dealt with. Negotiation for the remaining 40 leases was underway and was expected to be completed within a short period of time.

Operational management

19. Mr Tommy CHEUNG opined that The Link had to be cautious in setting and adjusting the rental levels. He then enquired about the measures which The Link would take in improving the business environment of the divested properties given that many needed services such as live poultry stalls in wet markets and banks, including ATM machines, had retreated from many housing estates due to poor patronage. While acknowledging Mr CHEUNG's concern, CEO/The Link advised that upon the taking over of the management of the divested RC facilities, The Link had approached a number of banks to present to them the business opportunity which The Link's large portfolio size of 180 properties would offer. So far, a number of banks had already

entered into tenancy with The Link. The number of ATM machines had also been increased by 11 and the number was expected to continue to increase.

20. Mr LEE Wing-tat enquired about the business strategy of The Link in improving the high vacancy rate in some of the divested RC facilities. He hoped that The Link would not rely too much on single operators to manage these RC facilities given the many complaints about them in the past. He held the view that The Link should maintain a diversified tenant profile for the benefits of residents of the public housing estates. His views were shared by Mr Fred LI. While acknowledging that RC facilities managed by single operators were better in respect of maintaining cleanliness and order within the premises, CEO/The Link agreed to the need for diversification and assured members that The Link would review the single operator policy.

21. Mr Fred LI enquired if there was any co-ordination between The Link and HD in managing the divested and residual RC facilities within close proximity. PSH advised that residual facilities would be managed by HD in accordance with HA's own policy. In view of the possible competition from the divested facilities, HD had set up a task force to work out measures to improve the business environment and competitiveness of the residual facilities.

Land use and land lease

22. While acknowledging that some divested RC facilities had the potential for upgrading to become high-end commercial premises, Mr Alan LEONG cautioned that this should not be done as it would be against the objective of these RC facilities to serve the residents of the housing estates. He urged The Link to make this restriction clear to investors in OC. CEO/The Link assured members that The Link would adhere to the guideline of maintaining a large and diversified portfolio of convenience-based retail properties and carparks which would continue to serve the residents of the housing estates, the visitors and others. Such a guiding principle had been incorporated in the investment strategy of the OC of the 2004 IPO. Besides, the divested RC facilities formed part of the land leases of the housing estates which The Link was not able to change.

23. Mr Albert CHAN enquired if the relevant lease conditions were included in OC. He also asked if there was any mechanism or provision through which the Government could re-enter the land concerned if The Link had done something that was against public interest. For instance, The Link had leased out the divested properties for the use of night clubs, karaokes etc with a view for profiteering. PSH responded that the land lease had clearly specified the land use for the divested properties. Any changes to the land lease had to be agreed by HA and approved by the Lands Department. HA would not accede to such changes if they were in conflict with HA's obligations under the Housing Ordinance (Cap. 283) (HO) to secure the provision of RC facilities to meet the needs of domestic tenants. Besides, The Link had to abide by the investment strategy stipulated in OC, failing of which would be subject to penalty by the Securities

and Futures Commission (SFC). LA however pointed out that Section 4(1) of HO only provided that “HA shall exercise its powers and discharge its duties under this Ordinance to secure the provision of housing and such amenities ancillary thereto as the Authority thinks fit”, members’ concern was on how HA could exercise control over the use of RC facilities by The Link after the divestment as it appeared that the Ordinance, by the expression “as the Authority thinks fit”, contemplated that HA would maintain control over the provision of housing and ancillary amenities.

24. DD(CS) emphasised that divested properties within public housing estates were covered by the same land lease of the housing estates, and any change to the land use provided under the lease had to be agreed by HA. Besides, there was legislation regulating the setting up of entertainment/amusement facilities, such as off-course betting centres and video game centres, the licensing of which would require prior consultation with the domestic tenants. The Assistant Director of Housing (Divestment) (AD(D)) supplemented that in constructing housing estates, HA had to follow the zoning plan and the planning brief in the provision of RC facilities which were included in the land lease. Any changes in the use of such land would require the consent of HA and the approval by the Town Planning Board (TPB) and Lands Department.

25. Mr Albert CHAN was concerned that drastic changes to the land use of divested properties would be possible if approval from TPB was obtained. He asked if the Government had the right to re-enter the land of divested properties and if so, whether any compensation was required. SHPL confirmed that the Government could re-enter the land if The Link had contravened the land use provided under the land lease.

26. Mr Albert HO was not convinced that HA could absolve from its responsibility to monitor the performance of The Link on the ground that the latter would become a private company after the listing of The Link REIT. He pointed out that the Government could still have control over the MTR Corporation (MTRC) which was also a listed company. PSH said that there was a fundamental difference between The Link and MTRC in that the Government was the largest shareholder of MTRC. As a private company, The Link should have full autonomy in running its business and interference from HA would not be appropriate. Notwithstanding, The Link was still subject to the governance of the investment strategy in OC, the Trust Deed, the Code on REIT and SFC as well as monitoring by the market and investors. Mr HO however opined that the Government could exercise certain control over private companies through legislation if it considered necessary as in the case of CLP Power Hong Kong Limited and Hongkong Electric Company Limited.

Boundary

27. Mr Albert HO enquired about the responsibility of management and maintenance of common facilities, such as roads, next to divested and residual

properties. He considered that these should be managed by HD to ensure the right of way of residents to these facilities. He cautioned that failure to do so might attract legal challenges. AD(D) said that the management and maintenance of common facilities would be governed by the Deed of Mutual Covenant concerned as approved by Lands Department and would largely follow the prevailing practices adopted by HD.

Accountability

28. Mr Fred LI enquired whether The Link would be obliged to attend meetings of LegCo. CEO/The Link said that there were many channels through which The Link could enhance communication with stakeholders. In fact, The Link had met with tenants, residents, District Councils and individual Members to receive their views. As a private company, the Chairman said that The Link did not have a mandate to attend meetings of LegCo. Mr LI however held a different view. He pointed out that MTRC had also attended meetings of LegCo.

II. Any other business

29. There being no other business, the meeting ended at 10:35 am.

Council Business Division 1
Legislative Council Secretariat
20 December 2005

Opening statement by Secretary for Housing Planning and Lands at Special Meeting of LegCo Panel of Housing

Following is an opening statement by the Secretary for Housing, Planning and Lands, Mr Michael Suen, at the Special Meeting of the LegCo Housing Panel today (Oct 20):

Chairman and Members,

I am pleased to brief Members of the LegCo Housing Panel today on the latest progress of the divestment project and the preparatory work for the IPO of The Link REIT.

As the Housing Authority (HA) announced on September 6, 2005, it is intended that, subject to satisfying all regulatory and approval requirements, an offering circular for the re-launched IPO will be issued in November, 2005, and the listing of The Link REIT will be completed before the end of 2005.

Instead of repeating what has already been said in the paper, I would like to update Members, as far as permissible within the regulatory framework, on some arrangements which may be of interest to the Panel and the public.

(a) Target of allocation

First of all, I would like to talk about HA's target of allocation. In the first IPO of The Link REIT last December, the investors' response was enthusiastic. About 57% of the units were ultimately allocated to retail investors under the Hong Kong Public Offering (HKPO), and about 8% were ultimately allocated to Hong Kong MPFs under the so-called International Offering (which targets both local and overseas institutional investors). Combined, that made a total of about 65% to Hong Kong investors.

For the relaunched IPO, HA targets to allocate units to the HKPO with a percentage share no less than that last time, dependant upon the strength of interest in the HKPO. Similarly, within the International Offering, HA again intends to favour MPFs in allocations.

Moreover, in the 2004 IPO, it was possible to allocate units to every valid application under the public offer. Although that cannot be guaranteed in the relaunched offering, that remains the target depending on the overall numbers of applications.

(b) Preferential allocation to successful subscribers in the 2004 IPO

Secondly, HA noted the requests of some successful subscribers in the 2004 IPO for preferential allocation in the relaunched IPO. Although there is no legal obligation to give preference to investors who received an allocation of units pursuant to the 2004 IPO, HA carefully considered the pros and cons of the idea. In order to be fair and equal to all retail investors, HA has decided not to give any preferential allocation. Moreover, since it is HA's target, as I mentioned above, to allocate units to every valid application under the public offer, HA does not consider it necessary to give any preferential allocation to the successful subscribers in the 2004 IPO. It is hoped that every valid application will be allocated at least one lot.

(c) Cornerstone investors

Thirdly, cornerstone investors were involved in the 2004 IPO to secure validation for the investment case and early demand for units. The actual experience of the 2004 IPO has shown that demand for units is broadly based. For the relaunch, HA decided not to appoint any cornerstone investors. This would allow HA a greater flexibility to allocate more units to other investors, including the retail investors and MPFs.

(d) Portfolio and property valuation

Fourthly, I would like to talk about the divestment portfolio and the property valuation. As HA's announcement on September 6, 2005 has reiterated, the portfolio of the 180 retail and carparking facilities for divestment will remain unchanged. For the property valuation required for the relaunched IPO, HA will continue to use the same independent valuer, namely CBRE, and the same methodology, which follows the stringent standard set out in the Code on REIT and the international practice for valuation of REIT IPOs. It should be reiterated that there is no question of HA selling the properties cheap. The properties will be sold at a good price favorable to the HA. (「善價而沽」).

(e) Litigation risks for the relaunched offering

Fifthly, in the light of the experience last year, it would not be surprising for the disclosure of litigation risks to be a key issue of concern for the relaunched offering. Hong Kong is a place with rule of law, and no one, including the Government and HA, could entirely preclude the possibility of further legal attacks - even after the Court of Final Appeal (CFA) has unanimously confirmed that the HA plainly has the power to divest its retail and carparking facilities. Though we all consider that such possibility is low, we could not rule it out. To prepare for the relaunched IPO, the legal advisers have done a lot of research work in the past months. Legal opinions have been obtained from eminent Senior Counsel in Hong Kong and London. HA is prepared to deal with any possible legal challenges that may come up. There will be appropriate disclosure in the Offering Circular for the relaunched IPO on the risks of possible legal challenges. HA will also put in place contingency measures to deal with such challenges. One of the measures under consideration is the provision of "withdrawal rights" to investors, and we are consulting the brokerage community on this.

Closing remarks

In closing, I should also mention that the Government fully supports HA's divestment project, which is in line with Government's basic policy of maintaining "a big market and a small government". The Government is confident that HA can take forward the divestment leading to a successful listing of The Link REIT.

My colleagues and I would be happy to answer Members' enquiries. Thank you.

Ends/Thursday, October 20, 2005