

Panel on Financial Affairs

**Conflict of interest issue involved in and after the listing of
The Link Real Estate Investment Trust**

List of issues/questions for the written response of Mr LEUNG Chin-man

1. According to the information provided by the Administration (LC Paper No. CB(1)1627/05-06(03)), Mr Paul CHENG verbally informed Mr LEUNG Chin-man, former Permanent Secretary for Housing, Planning and Lands (Housing) (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 telephone discussion took place on a date between 15 to 24 March 2005. It was also stated in the same paper that PSH did not ask for details about the adviser position nor raise any objection to it.

- (a) Please give a detailed account of the telephone discussion in question between Mr Paul CHENG and PSH and the details provided by Mr Paul CHENG to PSH about his adviser position with DB.
- (b) When being consulted by Mr Paul CHENG during the aforesaid verbal discussion, did PSH consider that Mr CHENG's adviser position with DB and his chairmanship of The Link Management Limited will give rise to any real, potential or perceived conflict of interests ? If yes, how should the conflict be resolved? If no, please provide the reasons for forming the opinion that Mr Paul CHENG's dual role would not give rise to any conflict of interests.

2. In his letter dated 29 June 2006, Hon James TO has raised a number of questions regarding the decision of Mr LEUNG Chin-man, PSH, that Mr Paul CHENG could serve as an adviser to DB (paragraph 1(d) in Annex I of LC Paper No. CB(1)2228/05-06(01)). In this connection,

- (a) Is it correct that PSH was sure that Mr Paul CHENG could serve as an adviser to DB based on the information provided by Mr CHENG during their telephone conversation although he did not know that Mr CHENG received remuneration for his adviser position with DB?

- (b) Did PSH, in deciding that Mr Paul CHENG could serve as an adviser to DB, ask Mr CHENG to provide further information? If PSH did not, why not? If he did, what information had he received from Mr CHENG? Did PSH furnish the information he received from Mr CHENG to the Board of Directors of The Link Management Limited for reference?
- (c) What was PSH's justifications for confirming that Mr CHENG could serve as an adviser to DB before he knew whether Mr CHENG's position was to be remunerated?
- (d) In PSH's view, would he have suggested that the Letter of Appointment for the chairmanship of The Link Management Limited be withheld pending clarification of Mr CHENG's role with DB had he known that Mr CHENG's adviser position with DB was a remunerated one?