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Grand Garden
61 South Bay Road
Hong Kong

Miss Polly Yeung
Clerk to Panel
Legislative Council

7 December 2006

Dear Miss Yeung,

Panel on Financial Affairs

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

Thank you for inviting me to attend the Panel meeting on 5 January 2007 to discuss the captioned matter. As I will be out of Hong Kong on that day, please accept my apologies for not being able to attend that meeting.

Although I cannot attend the Panel meeting, I am pleased to attach at Annex my detailed written response to the list of issues/questions attached to your letter dated 11 November 2006 to the Secretary for Housing, Planning and Lands.

(C M Leung)

cc The Link Management Limited (Attn : Mr Paul Cheng
Mr Victor So)

Written Response

Question 1

(a) As far as I can recall, Mr Paul Cheng informed me during our telephone conversation that he had been invited by Deutsche Bank (DB) to serve on its regional advisory board which would soon be set up. His role would be to advise DB on the general commercial environment in Asia and Hong Kong and on the overall business development strategy of DB in Asia. In addition, he would advise on DB's charitable activities in the region. Mr Cheng sought my view on whether he could accept DB's invitation in view of his imminent appointment as the chairman of The Link Management Limited (LML).

(b) Since DB was not involved in The Link REIT IPO, and did not provide any service to The Link REIT or LML, Mr Cheng's service as an adviser to DB raised no question of conflict of interest. Hence, I did not seek further information about his adviser role with DB or raise any objection to his taking up that role. In this connection, whether or not DB had actually acted as a sponsor of another REIT in 2004 was irrelevant because it would not have any adverse impact on The Link REIT.

I should add that the existence of a potential (whether perceived or real) conflict of interest does not necessarily debar a prospective candidate from being appointed as a director or chairman. The important point is for there to be a system to manage the potential conflict. For example, a case of potential conflict of interest may be managed through declaration of interest, abstention from participating in the business to which the conflict of interest relates or divesting the interest concerned. I understand that there is such a system to manage potential conflict of interest in LML should such a situation arise. However, I reiterate that the question of conflict of interest did not arise when Mr Cheng consulted me on DB's invitation to him to serve on its regional advisory board.

Question 2

(a) I did not ask Mr Cheng whether the adviser position was remunerated or not. This was because DB was not involved in The Link REIT IPO, nor did it provide any service to The Link REIT or LML. Hence, Mr Cheng's service as an adviser to DB raised no question of conflict of interest, no matter his service was remunerated or not.

(b) Since there was no question of conflict of interest, Mr Cheng's adviser role with DB would not affect the LML board's decision to appoint Mr Cheng as its chairman. Hence, I did not ask Mr Cheng to provide further information. Neither was it necessary for me to furnish the information received from Mr Cheng to the LML board for reference. I understand that Mr Cheng had separately informed LML about his adviser role with DB, and arranged for this information to be included in his personal profile on the LML website from 1 April 2005.

(c) As I mentioned in (a) above, since DB was not involved in The Link REIT IPO, and did not provide any service to The Link REIT or LML, Mr Cheng's service as an adviser to DB raised no question of conflict of interest, no matter his service was remunerated or not.

(d) Since there was no question of conflict of interest, Mr Cheng's adviser role with DB would not affect the LML board's decision to appoint Mr Cheng as its chairman, no matter Mr Cheng's adviser position with DB was remunerated or not. Hence, I would not have suggested that the Letter of Appointment for the chairmanship of LML be withheld even if I had known that the adviser position was remunerated.