

立法會
Legislative Council

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Ref : CB1/PL/HG/1

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.

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