

Ref : LC-04/042

January 29, 2004

The Hon. Ma Si-hang Frederick
Secretary for Financial Services and the Treasury
Financial Services and the Treasury Bureau
West Wing, Central Government Offices
HONG KONG

URGENT
By fax and post
(# 2147 3873)

Dear

Re : Securitisation of Future Revenue from Government Toll Roads

Thank you very much for the prompt reply to my letter dated January 20, 2004 with reference to the captioned securitisation. Upon close examination of your attachments (except Attachment C which was not available with your reply), I found that:

1. The Cross-Harbour Tunnel and individual Tunnel financial data were NOT provided. These separate data would be important in the rating, attractiveness, and successful offering of the captioned securitisation.
2. The sample of similar offerings in other jurisdictions provided in your reply indicated that all except one (Autoroute du Sud de la France ["France IPO"]) had retail investor allocation. Since you have indicated that "*substantial retail offering is envisaged*" for the captioned securitisation in Hong Kong, details of the "France IPO" experience, in particular the offering to the retail investor, should be closely examined. I would expect that details of such can be provided.
3. Out of the ten samples you have provided, almost all of the issues were guaranteed, with some 60% guaranteed (in principal and interest of the bonds) by "AAA rated insurance company". These appeared to be very different than your proposed securitisation whereby "*investor will not have a guarantee return*". Why is your proposed offering deviate from such norm? Does the Government aware of the effect of offerings without such guarantee, and if so, what are the effects and the reasons for different than the norm?

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4. In your response to my concern on the maximum financial exposure of the Government, it is clear that the maximum would be the same as the amount raised (proposed 6 billion dollars) plus other charges. Care must be exercised in the offering that would minimize such exposure.
5. I am pleased to learn that there is the requirement of the arrangers to submit outline of proposed syndicate structure that include the retail portion of the offering and that it would be one of the assessment criteria. However, I would like to stress that such structure on the retail side should be as wide as possible, and possibly to include as many **financial services participants** (in particular local stockbrokers) as possible in view of a "*substantial retail offering is envisaged*".

Thank you very much for your kind attention and I look forward to your reply to the above before the House Committee meeting tomorrow.

Yours sincerely,

Henry K. C. Wu

c.c. Hon. Ambrose Lau, Chairman of FA Panel)
Hon. Chan Kam-lam, Chairman of the Subcommittee) Fax #
on Proposed Resolution under Section 3(1) of the Loans Ordinance) 2869 6794
Miss Salumi Chan, Clerk to FA Panel and the Subcommittee)

HW/cyh