

Legislative Council Panel on Housing

Progress on Divestment of Housing Authority's Retail and Carparking Facilities

Purpose

This paper briefs Members on the progress of the divestment of the Housing Authority (HA)'s retail and car-parking (RC) facilities.

Background

2. Last December, since the judicial review challenge initiated by Madam Lo Siu-lan (together with one other person) against HA's statutory power to divest its RC facilities could not reach finality¹ before the scheduled listing date of The Link Real Estate Investment Trust (The Link REIT), HA postponed the initial public offering (IPO) of The Link REIT. HA stated then that it would continue with the divestment project, and that it would strive to clear all legal impediments and, upon the conclusion of the legal proceedings, prepare for a re-launch of the IPO as soon as practicable.

3. The Court of Final Appeal (CFA) will hear Madam Lo's appeal on 5 - 6 July. In the past six months, HA has made contingent preparations for a re-launch of the IPO as soon as practicable after the legal proceedings including Madam Lo are completed. The following paragraphs outline the progress made to date.

Divestment strategy

4. HA's decision to effect the divestment by the IPO of The Link REIT remains unchanged. The 180 properties in the divestment portfolio will also remain unchanged.

¹ The Court of First Instance dismissed the judicial review application on 14 December 2004. The Court of Appeal dismissed Madam Lo's appeal on 16 December. Madam Lo had the right to apply for leave to appeal to the Court of Final Appeal within a specified period which exceeded the deadline date for the listing of the Link REIT.

Link Management Ltd taking over management of RC facilities

5. Since 1 March 2005, The Link Management Ltd (The Link), the manager of The Link REIT, has taken over from HA the day-to-day management of the 180 RC facilities within the divestment portfolio. The Link remains a wholly owned subsidiary of HA before divestment. HA staff have been gradually withdrawn from undertaking such duties.

6. A joint committee, comprising senior management of HA and The Link and chaired by the Director of Housing, has been set up to discuss important issues relating to operations and management of the 180 facilities. HA's Commercial Properties Sub-division maintains close contact with The Link over daily operational matters so as to ensure that any requests and demands of commercial tenants and residents will be properly dealt with and follow-up actions will be taken as appropriate. Final decisions on tenancy matters rest with HA.

7. Since the take-over, The Link has undertaken the following initiatives to improve the management of the RC facilities -

- (a) The Link has organised the 180 properties into eight districts to facilitate more effective asset management. A senior asset manager is accountable for each district.
- (b) The Link has introduced service pledges to ensure a speedy handling of leasing proposals. The Link has also adopted a more flexible leasing strategy, under which The Link may consider any trade proposal in the light of the circumstances of each and every retail facility, before the concerned shop is open for tender.
- (c) The Link has introduced Customer Service Ambassadors in 10 shopping centres with a view to providing better service for customers.
- (d) The Link has started to progressively implement a range of minor improvement works in the retail facilities. These include improved exterior and interior signage, lighting, shop directories and other interior improvements.

Property valuation

8. The property valuation conducted for the purpose of the December 2004 IPO was based on data as at 30 September 2004, and its 3-month validity period has already expired. A new valuation will need to be undertaken for the re-launch of the IPO. HA has been working with its advisors to prepare for this new valuation. The same methodology and the same independent property valuer will be used for the valuation.

Public communication

9. Since HA decided to divest the RC facilities in July 2003, we have started a public communication programme to explain to stakeholders the objectives and strategy for the divestment project, and collect their views on the implementation of the project. The concerns and suggestions of stakeholders have been taken into account in mapping out details of the divestment. The Chief Executive Officer of The Link, after reporting for duty in July 2004, established a regular dialogue with commercial tenants. Their views have been taken into consideration in drawing up the future business strategy of The Link described in the Offering Circular of last November. However, owing to legal and regulatory considerations applicable to a transaction involving the public offering of securities, there were constraints in the disclosure of information about The Link generally and transactional arrangements for the IPO in particular before the publication of the Offering Circular.

10. Following the publication of the Offering Circular and prior to the scheduled launch of The Link REIT IPO, HA / The Link gave briefings to the commercial tenants, and published a joint booklet in relation to the details of the divestment arrangements.

11. After the postponement of The Link REIT IPO in December 2004, representatives of HA and The Link gave briefings in respect of the divestment arrangements and HA's decision to relaunch the IPO after the conclusion of the JR proceedings to the 18 District Councils, the Estate Management Advisory Committees in public housing estates, and some 30 Owners' Committees of Home Ownership Scheme courts / Tenants

Purchase Scheme estates. This briefing process commenced in December 2004 and was concluded on 6 June 2005.

12. Separately, HA and The Link have addressed on an ad hoc basis questions raised by residential and commercial tenants relating to the day-to-day operation of The Link, as part of their regular dialogue with tenants.

13. The following summarises the public comments received and the responses made by HA and The Link -

- (a) Interlocutors generally wish to know in detail how The Link would address their concerns in relation to increase in rent, price of goods and services, tenancy terms, operational management, trade mix, and improvement works. HA notes the concerns of interlocutors on The Link's rent policy in future, especially whether it would increase rents sharply irrespective of the market conditions. We have explained that as is evident from the Offering Circular (OC), rental increase is not a key consideration in The Link's business strategies. One of The Link's primary focuses will be on controlling operating costs and improving operational efficiency of the divested RC properties as set out in the OC. The Link intends to implement various initiatives aimed at improving the overall commercial attractiveness of the divested RC properties, which will in turn enhance their rental potential. As stipulated in the OC, The Link intends to adopt a market-oriented approach with regards to setting rents, based on normal commercial considerations. The Link will adopt a pro-active and flexible strategy, taking into account the circumstances of different facilities, to identify suitable tenants in order to enhance the occupancy rate and to provide a more diversified range of quality goods and services to the residents. The Link is keen to build up and maintain a partnership relationship with the shop tenants. It is hoped that, upon divestment, the operational efficiency and flexibility of these RC facilities can be enhanced through private management.

- (b) Interlocutors have requested HA and The Link to give undertakings to address their concerns on various matters relating to the future operation of the RC facilities under The Link REIT. In this regard, HA have assured them that the undertakings of HA and The Link REIT have been reflected in the Offering Circular and various legal documents for the purpose of the IPO where appropriate. These are documents with binding effect on the contractual parties. Overall, the interlocutors now have a greater trust in The Link, and are prepared to continue dialogue and establish partnership with The Link.
- (c) Other queries related to the postponed IPO, including property valuation, involvement of strategic partner / cornerstone investors, allocation of units, and other IPO-related arrangements. In responding to such queries, HA emphasises that there is no question of HA selling the properties cheaply. The valuation of the property portfolio to be divested has been conducted by an independent valuer as required by the Securities and Futures Commission's Code on REIT. The valuation has been made in accordance with widely accepted Hong Kong and international standards.

14. A report on the above-mentioned public communication efforts is at the **Annex**. It must be recognised that it was and remains necessary to conduct public communication within the legal and regulatory restrictions applicable to IPOs.

Voluntary Exit Scheme (VES)

15. During the two-month application period ending September 2004, 156 civil servants in Housing Department applied for the Voluntary Exit Scheme (VES). Seventy-two of these applications were approved (out of whom 13 have joined The Link) and 84 applications were subsequently withdrawn².

² Under the terms of the VES, applicants may apply for the VES and subsequently withdraw within a specified period if they are not recruited by the Link.

16. Up to end May 2005, 26 civil servants (including the 13 under the VES mentioned in paragraph 15) and 43 contract employees of HA have joined The Link. They represent 27% of the staff establishment of The Link.

Housing, Planning and Lands Bureau
June 2005

**Divestment of Housing Authority's
Retail and Car-parking Facilities**

**Report on the public communication
and briefing programme**

Content

- I. Introduction
- II. Overview of the public communication and briefing process
- III. Overview of comments
- IV. Next Steps

Appendix

Summary of comments on the divestment project and the future business plan of The Link

I. Introduction

The Housing Authority (HA) decided in July 2003 to divest its retail and car-parking (RC) facilities. This report summarises -

- (a) the communication process conducted by HA after its decision to divest prior to publication of the Offering Circular (OC) of the Initial Public Offering (IPO) of The Link Real Estate Investment Trust (The Link REIT) on 25 November 2004;
- (b) the briefing process conducted by HA / The Link Management Ltd (The Link) after the publication of the OC on 25 November 2004 until the scheduled launch of the IPO; and
- (c) the subsequent public briefings conducted by HA / The Link after postponement of the IPO in late December 2004.

II. Overview of the public communication and briefing process

2. The public communication and briefing exercise in relation to the divestment project after HA made its decision to divest the RC facilities can broadly be divided into three stages, separated by the publication of the OC of the IPO of The Link REIT on 25 November 2004 and the subsequent postponement of the IPO.

Stage I : July 2003 to November 2004 (before publication of the OC)

3. The nature of the public communication conducted after HA's decision in July 2003 to divest its RC facilities included the following -

- (a) Distribution of leaflets published by HA to all commercial tenants, all District Council (DC) members and other concerned parties to inform them of the decision, and the key features and timetable of the divestment project. The leaflet was also made available to domestic tenants at estate offices.
- (b) Briefings by HA to approximately 10 major commercial tenant groups on the project. Thereafter, HA also briefed these commercial tenant groups several times to update them on progress of the project and to listen to their views.
- (c) Briefings by HA to individual DCs (on request) on the divestment project and to listen to their views.
- (d) HA attended five meetings of the Legislative Council (LegCo) Panel on Housing to brief the Panel on the divestment plan and its progress.

4. After The Link was established and its Chief Executive Officer (CEO) reported for duty in July 2004, The Link briefed commercial tenants. Their views (where appropriate) were incorporated in formulating the details of the divestment arrangement set out in the OC and various related documents for the purpose of the IPO. Apart from the meetings with the commercial tenant groups, the CEO also met some 10 groups of commercial tenants / DC

members accompanied by different LegCo members during the period from August to November 2004.

5. In parallel with the communication exercise, HA listened to the views expressed by the stakeholders. The views received since July 2003, where appropriate, have been reflected in the OC and various related documents for the purpose of the IPO.

6. According to HA's plan, the divestment would be implemented through the establishment of a Real Estate Investment Trust (REIT), namely The Link REIT, which will hold HA's divested RC facilities. It was intended that The Link REIT would be listed on The Stock Exchange of Hong Kong through an IPO in December 2004.

7. It must be recognised that it was and remains necessary to conduct public communications within the legal and regulatory restrictions applicable to a transaction involving the public offering of securities.

Stage II : November 2004 to December 2004 (after publication of OC and before the scheduled launch of IPO)

8. Between November 2004 and December 2004, ie after publication of the OC and in preparation for the scheduled launch of the IPO, HA and The Link briefed the public via -

- (a) Publication of a joint booklet to inform commercial tenants and other concerned parties of the list of properties to be divested and the various arrangements.
- (b) Meetings between the CEO of The Link and commercial operators in each of the eight districts in late November / early December 2004.
- (c) Discussions between The Link and the Hong Kong Public Housing Estates Shop-Operators' Union, which represented some 7 000 commercial tenants, on four key operational issues of tenancy renewal, rental policy, trade mix policy and tenancy termination. An initial consensus on these matters was reached

between the two parties on 27 November 2004.

- (d) Discussions of details of the divestment project during an adjournment debate of the full Legislative Council on 1 December 2004.

9. The OC published on 25 November set out the timetable for the IPO : the Hong Kong Public Offer period was from 6 December to 9 December (noon), and the listing date was initially set on 16 December, with a deadline set on 20 December. On 8 December, one day before the close of the Hong Kong Public Offer period, a judicial review (JR) challenging HA's power to divest the RC facilities was launched.

10. As the legal proceedings concerning the JR could not reach finality before the deadline listing date, HA decided on 19 December not to proceed with the listing of The Link REIT as scheduled. Events leading to the above decisions attracted significant public interest and were widely reported in the media.

Stage III : December 2004 to June 2005 (after postponement of IPO)

11. The nature of the public briefings between December 2004 and June 2005, i.e. after postponement of the IPO, conducted by HA and The Link were aimed at promoting public awareness of the details of the divestment arrangement to ensure a smooth transition after resolution of the legal challenges, and included the following -

- (a) Briefings were held for each DC (or its relevant committee) and every Estate Management Advisory Committee (EMAC) covered by the divestment plan to brief them on the project, the future business strategy of The Link and HA's decision to re-launch the IPO after conclusion of the JR proceedings.
- (b) Briefings were also held for other groups (e.g. Owners' Committees of estates under the Home Ownership Scheme / Tenants Purchase Scheme) and stakeholders upon invitation.
- (c) In addition to the briefings, HA received approximately 60 written

submissions (some in the form of short e-mails only) from the stakeholders.

- (d) HA posted posters and provided a short video broadcast on the "Housing Channel" inside estates (between mid February and mid March 2005).
- (e) HA has continued to keep the public informed of HA's latest moves, where appropriate, through press releases.

12. The briefing process concluded on 6 June 2005.

13. In total, over 150 meetings were held (including some 110 with resident bodies in estates with RC facilities referred to in the OC). As regards commercial tenants, the CEO, in conjunction with senior officers of the Housing Department, attended over 10 meetings with various groups representing commercial tenants since postponement of the IPO.

III. Overview of comments

Public comments received during Stage I (before publication of OC)

14. Many interlocutors agreed that the RC facilities should be operated in a more efficient, flexible and cost-effective manner under private sector ownership and operation. However, most of them, especially the commercial tenants, were concerned about the implications of the divestment project on them, and wished to be updated on further details about the project.

15. Top on the list of comments was whether The Link would increase rents sharply, thereby also increasing the price of customer goods and services. The interlocutors were also concerned that The Link would introduce changes to get better financial returns at the expenses of their interests (especially those of the small tenants) and its social responsibility.

16. Some of the commercial tenants asked for a continuation of certain prevailing practices of HA (eg trade mix, tenancy terms, various rental concessions or relief), whilst asking for additional measures beyond HA's current practice (eg rental adjustment in accordance with movements in Consumer Price Index, or tenancy renewals for up to nine years).

17. Apart from the commercial tenants, the DC members and the residents were concerned about the use of promotional venues by community organisations, demarcation of the boundaries of the divested properties, and priority of estate residents to rent parking spaces.

Public comments received during Stage II (after publication of OC and before the scheduled launch of IPO) and Stage III (after postponement of IPO)

18. Interlocutors generally wished to know in detail how The Link would address their concerns in relation to increase in rent, price of goods and services, tenancy terms, operational management, trade mix, and improvement works.

19. Some interlocutors recognised that the commitments set out in the OC and various legal documents relating to the IPO did indeed address their

concerns. HA did nevertheless state that some requests received during Stage I had not been accepted in formulating details of the divestment arrangement on the basis that they would undermine the long-term business viability of The Link and the proceeds to be received by HA from the IPO. Overall, the interlocutors had a greater trust in The Link, and were prepared to continue dialogue and establish partnership with The Link.

20. Other queries related to the postponed IPO, including property valuation, involvement of strategic partner / cornerstone investors, allocation of units, and other IPO-related arrangements.

21. Many of the concerns raised during Stage II and Stage III at DCs or EMACs related to on-going operational management issues that the interlocutors wish to see addressed by either HA or The Link, as opposed to issues relating to the divestment itself.

Summary of comments collated by HA

22. The Appendix sets out a summary of comments collated by HA during the three stages identified above based on either written submissions received or minutes of meetings (where available), categorised as follows -

- (1) Rent
- (2) Tenancy
- (3) Operational management
- (4) Miscellaneous fees and charges
- (5) Parking spaces
- (6) Trade mix
- (7) Improvement works
- (8) Livelihood of residents
- (9) Public communication before publication of OC
- (10) Arrangement for specific facilities (clinics, welfare and kindergarten facilities, offices)
- (11) Land use, boundary and DMCs
- (12) Social responsibility
- (13) Merits of divestment
- (14) Strategy and scope of divestment
- (15) Corporate Governance

- (16) On-going communication with stakeholders
- (17) Financial position of HA
- (18) Transitional arrangements
- (19) Residual properties
- (20) IPO arrangements
- (21) Property valuation
- (22) Allocation of units
- (23) Legal and JR matters
- (24) Miscellaneous

IV. Next Steps

23. The Court of Final Appeal (CFA) will hear the JR case on 5-6 July 2005. HA looks forward to an early conclusion of the JR proceedings and to legal finality on HA's power to divest the RC facilities, so that the IPO of The Link REIT can be re-launched as soon as practicable.

Divestment Sub-division
Housing Department
June 2005

**SUMMARY OF COMMENTS ON THE DIVESTMENT PROJECT AND
THE FUTURE BUSINESS PLAN OF THE LINK^{NOTE}**

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
<u>1</u>	<u>Rent</u>	
1.1	Rental increase : Interlocutors were generally concerned about possible rental increase after the divestment.	HA notes the concerns of interlocutors on The Link's rent policy in future, especially whether it would increase the rents sharply irrespective of the market conditions. As is evident from the Offering Circular (OC), rental increase is not a key point of The Link's business strategies [<u>Ref</u> : OC pp.63-64]. One of The Link's primary focuses will be on controlling operating costs and improving operational efficiency of the divested RC properties as set out in the OC [<u>Ref</u> : OC p.66]. The Link intends to implement various initiatives aimed at improving the overall commercial attractiveness of, and shopper traffic and tenants' sales at, the divested RC properties, which will in turn enhance their rental potential [<u>Ref</u> : OC p.99].

^{Note} (1) For the purpose of this table, unless otherwise specified, "The Link" can refer to either The Link REIT or The Link Management Ltd.
(2) For those comments applicable only to the period after the publication of the Offering Circular on 25 November 2004, they are marked up with *.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
1.2	<p>Rent-setting mechanism : Interlocutors generally asked about the rent-setting mechanism of The Link.</p>	<p>When setting rents, any landlord will 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. The Link is of no exception. As stipulated in the OC, The Link intends to adopt a market-oriented approach with regards to setting rents, based on normal commercial considerations [Ref : OC p.99].</p>
1.3	<p>Higher shopper traffic and rent increase : Some commercial tenants pointed out that, as long as the shopper traffic could be improved, they would not mind paying a higher level of rents. Some also opined that the scope for improvement in cost efficiencies should be large enough to make rental increase unnecessary.</p>	<p>HA and The Link noted these views. Pls see Item 1.1.</p>
1.4	<p>Monitoring on rental levels : Some commercial tenants asked for a mechanism to monitor the rent set by The Link.</p>	<p>The Link intends to adopt a market-oriented approach with regard to setting rents, based on normal commercial considerations. [Ref : OC p.99] The market mechanism will effectively point to any adjustments required to keep the rents at a reasonable level.</p> <p>The Link is keen to maintain communication with shop tenants.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
1.5	Negotiation : Some commercial tenants asked for the retention of the existing "negotiation" mechanism on rental matters.	The Link is keen to maintain communication with shop tenants. It will pro-actively approach the commercial tenants to discuss tenancy renewal before the expiry of their tenancy agreements [<u>Ref</u> : OC p.65].
1.6	Rent-setting on renewal : Some commercial tenant groups suggested that future rental adjustment should be in accordance with the movement of Consumer Price Index (CPI).	When setting rents for renewal of tenancies, The Link will consider a variety of factors, such as the trades operated by the tenants, the market situation (with the CPI movement as one possible indicator), and the rental value of similar premises in the vicinity. However, it will be too rigid to set rents solely based on the CPI movement. Such a rigid approach will not be to the interest of The Link or the shop tenants. As a matter of fact, this is not a market practice, and is not the practice of the HA.
1.7	Longer leases : Some commercial tenants asked for the continuation of the rent concessions available under the Rent Re-assessment in 2001.	For 147 tenants holding longer leases (ie expiring after 1 November 2004), HA has agreed to maintain the rent payable at the level existing at 1 November 2004 until the end of October 2005, or up to the expiry of such individual leases, whichever is the earlier. This will also be honoured by The Link [<u>Ref</u> : OC p.241 + Policies Side Letter].

ITEM VIEWS / CONCERNS EXPRESSED**SUMMARY OF RESPONSES BY HA / THE LINK**

1.8 **Slow population intake :** Some commercial tenants asked for the continuation of the rent relief available for estates with slow population intake.

According to the original plan, the Link will maintain for certain periods the rent payable by shop tenants in six estates with slow population intake [Ref : OC p.241 and Policies Side Letter]. However, the majority of the rent relief will expire in 2005 [Ref : OC p.88]. Upon expiry of the rent adjustment period, all the commercial tenants in the shopping centre concerned, irrespective of the expiry dates of individual tenancies, are required to pay the original rents as specified in their tenancy agreements with immediate effect. If, during the transitional period before the divestment, for any reason a commercial tenant encounters difficulty in paying the market rent, HA may work out appropriate and flexible arrangements with the tenant in the light of his special circumstances and actual business environment, such as early surrender of tenancy and rent re-assessment, with a view to achieving a win-win solution.

1.9 **Rent deposit :** Some commercial tenants asked for the continuation of the existing rent deposit arrangement.

The Link does not, for the time being, intend to change the existing rent deposit arrangement.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
<u>2</u>	<u>Tenancy</u>	
2.1	Leasing approach : Some interlocutors hoped that The Link could adopt a more business-friendly leasing approach and improve the occupancy rate of the retail facilities.	The Link will adopt a pro-active and flexible strategy, taking into account the circumstances of different facilities, to identify suitable tenants in order to enhance the occupancy rate and to provide a more diversified range of quality goods and services to the residents. At the same time, The Link values the relationship with sitting tenants.
2.2	Ex-gratia payment : Some commercial tenants asked that those sitting tenants choosing to move out, or those with tenancies not renewed by The Link, should be entitled to an ex-gratia payment.	The Link views the shop tenants as an important partner of its business. For those shop tenants who decide to terminate the tenancy before expiry, they can do so in accordance with their tenancy agreement.
2.3	Continuation of the existing tenancy arrangements : Some interlocutors asked that the rights of the sitting tenants should be duly safeguarded, and the existing tenancy terms should be maintained.	It is hoped that, upon divestment, the operational efficiency and flexibility of these RC facilities can be enhanced through private management. The Link is keen to build up and maintain a partnership relationship with the shop tenants. It is inappropriate to request The Link to adopt the same tenancy arrangements as those of HA.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
2.4	<p>Internal Floor Area : Some commercial tenants asked that the existing arrangement on letting area being expressed in Internal Floor Area, instead of Gross Floor Area, should be continued.</p>	<p>The Link does not, for the time being, intend to change the way to express the size of letting area.</p>
2.5	<p>Early surrender : Some commercial tenants asked that The Link should keep the existing arrangement for early termination, and allow commercial tenants to surrender any time upon paying a sum equivalent to the rent of three / four months.</p>	<p>The Link attaches importance to the principle of operating in accordance with tenancy terms. The suggestion of allowing early surrender (for tenancies without any break clause) upon paying a compensation equivalent to three / four months' average rent, as raised by some groups, is not provided in the tenancies. Nor is it a usual practice in the private market.</p>
2.6	<p>Insurance : Some commercial tenants asked that The Link should keep the existing arrangement for insurance against damage to premises (by fire and other perils such as typhoon and flood) to be provided by the landlord.</p>	<p>The Link does not, for the time being, intend to change the current arrangement for insurance against damage to premises.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
2.7	<p>Tenancy renewals : Commercial tenants were generally concerned about the security of their tenancies. Some asked that the sitting tenants should enjoy priority to tenancy renewal, or automatic renewals for a period up to nine years.</p>	<p>The Link views the shop tenants as an important partner of its business. It will pro-actively approach the commercial tenants to discuss tenancy renewal before the expiry of their tenancy agreements [<u>Ref</u> : OC p.65].</p> <p>The Link looks forward to a greater flexibility, after the divestment, to work out with shop tenants the arrangements and length of tenancy terms, adopting a market-oriented approach based on normal commercial considerations. It would be happy to explore with individual tenants the possibility of any flexibility arrangements (eg 3 years, 3+3 years, 3+3+3 years) to tailor for their different circumstances. However, any across-the-board guarantee for automatic renewals is too rigid to be practicable.</p>
2.8	<p>Extension of tenancies : Some commercial tenants asked for an extension of their current tenancies, say, to five years, to ensure a smooth transition.</p>	<p>HA and The Link will ensure a smooth transition of the operation of the retail facilities. There is no need to extend the current tenancies of the sitting tenants.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
2.9	Conspired Sub-letting : Some commercial tenant groups asked for an one-off and un-conditional waiver to "rationalise" cases of conspired sub-letting.	The Link will take two different approaches, depending on the nature of the case. If the shop operators take up the premises only due to some "historical" factors (eg inheritance from passed-away parents), The Link will consider rationalising the tenancy agreements in a fair, reasonable and legal manner. However, if the sub-letting involves any exploitation by a third party in the middle, The Link will take enforcement action in accordance with the tenancy provisions to protect the interest of The Link REIT investors.
3.	<u>Operational Management</u>	
3.1	Single Operator system : Some interlocutors suggested that the single operator system should be continued / extended, whilst some others opposed the system.	The Link will respect the contracts HA entered into with the single operators, and will endeavour to keep a stable trade mix. Along these principles, The Link will review the single operator policy.
3.2	Outsourcing model : Some interlocutors (some being HA's current service providers) supported the continuation of outsourcing of property management services.	The Link may make appropriate outsourcing arrangements to suit the needs of individual shopping centres.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
3.3	Appeal mechanism : Some interlocutors asked for the setting up of an appeal mechanism, say, on rental matters.	<p>The Link intends to adopt a market-oriented approach with regards to setting rents, based on normal commercial considerations. [Ref : OC p.99] The market mechanism will effectively point to any adjustments required to keep the rents at a reasonable level.</p> <p>The Link is keen to maintain communication with the shop tenants.</p>
3.4	Promotions : Interlocutors generally hoped that The Link can run more promotional activities and introduce other measures (eg extending the opening hours) to increase the attractiveness of the shopping centres.	The Link intends to implement various measures aimed at improving the overall commercial attractiveness of, and shopper traffic and tenants' sales, at the divested properties [Ref : OC p.99]
3.5	Standard of property management : Some resident bodies made suggestions on possible areas of operational improvements to the management of the facilities in their respective estates (eg security services, cleansing services, carpark automation system).	In keeping with The Link's pro-active approach to maintain dialogue with commercial tenants and other stakeholders, where appropriate, The Link will consider the suggestions for operational improvement.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
3.6 *	<p>Enforcement actions : Some resident bodies enquired whether and how The Link would deal with commercial tenants for contraventions of tenancy conditions related to, say, obstruction or cleanliness of premises.</p>	<p>The Link will enhance both the education and the enforcement work, in order to maintain order and cleanliness of the facilities.</p>
3.7 *	<p>Site-specific plans : Some resident bodies asked the Link for detailed business plans in relation to the RC facilities in their respective estates.</p>	<p>The Link is keen to maintain communication with the shop tenants and other stakeholders. The Link will adhere to the guideline of maintaining a large and diversified portfolio of convenience-based retail properties and car parks which will continue to serve the residents of the housing estates, the visitors and the others [Ref : OC p.63].</p>
3.8	<p>Cost control : Some interlocutors enquired how The Link would cut cost.</p>	<p>Plans which The Link intends to implement have been set out in the OC. These plans include, for example, actively managing property management costs and other outgoings based on competitive market benchmarks, and leveraging The Link's large portfolio size for cost savings through bulk-sourcing and purchase of services and supplies [Ref : OC p.66].</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
3.9	<p>Safeguards : A few interlocutors asked HA to impose more conditions on the future operation of The Link to safeguard the interests of tenants, but some others cautioned against this as it would unnecessarily tie up the hands of The Link to make improvements.</p>	<p>Noted. HA has imposed certain conditions on the future operation of The Link in response to the views of the commercial tenants and other stakeholders, in order to address their concerns where reasonable and appropriate [Ref : OC p.98]. In doing so, HA is mindful of the need to leave sufficient freedom for The Link to enhance the operational efficiency of the facilities and the service to the customers.</p>
3.10	<p>Non-skilled workers : A labour group asked whether The Link will abide by the Government's requirement for minimum monthly wages of non-skilled workers in assessing certain types of service contracts.</p>	<p>The Link Management Ltd will become a private company after the listing of The Link REIT, and will decide its own policy.</p>
4	<p><u>Miscellaneous fees and charges</u></p>	
4.1	<p>Management fees : Some commercial tenant groups asked for the continuation of the existing practice for including management fees in the rent.</p>	<p>The Link does not, for the time being, intend to change the current arrangement for management fees (ie being included in rents).</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
4.2	<p>Air-conditioning charges : Some commercial tenant groups asked for the continuation of the existing practice for air-conditioning charges.</p>	<p>The Link does not, for the time being, intend to change the current arrangement for air-conditioning charges.</p> <p>The Link has agreed to charge concessionary air-conditioning charges to tenants of two wet markets in Heng On Estate and Cheung Fat Estate, with full air-conditioning charges to take effect from May and July 2006 respectively [Ref : OC p.241 and Policies Side Letter].</p>
4.3	<p>Stamp duty : Some commercial tenant groups asked for the continuation of exemption from stamp duty for the shop tenants.</p>	<p>Under the current laws of Hong Kong, tenancy agreements executed by HA are exempted from the payment of stamp duties. After the listing of the divested RC properties, both The Link and the commercial tenants will have to, in accordance with the relevant statutory provisions, pay to the Inland Revenue Department the stamp duties when entering into tenancy agreements. The stamp duties paid will be equally borne by The Link and the commercial tenants [Ref : OC p.103].</p>
4.4	<p>Other new fees : Some commercial tenant groups were concerned about the possible introduction of new fees to be payable by commercial tenants.</p>	<p>The Link does not, for the time being, intend to introduce any new fee items.</p>

ITEM**VIEWS / CONCERNS EXPRESSED****SUMMARY OF RESPONSES BY HA / THE LINK****5. Parking spaces**

5.1 **Priority of residents :** Interlocutors generally asked that the priority of estate residents to rent parking spaces should not be compromised by the divestment.

The carpark facilities are ancillary to HA's residential housing developments. They are restricted by the requirements of the outline zoning plan and the lease conditions such that they can only be leased to residents of the relevant housing estates. They can only be leased to non-residents with the planning approval of the Town Planning Board and, where applicable, modification to or waiver of the requirements of the government leases relating to them. Approval from the Lands Department is thus required. [Ref : OC p.67 and Government leases]

5.2 **Allocation of parking spaces :** Some interlocutors asked for more flexibility in leasing the parking spaces to non-residents, and in the allocation of parking spaces for different types of vehicles.

Planning approval have been obtained by HA to relax the restrictions and increase the flexibility for letting carpark spaces to non-residents at 145 of the carpark facilities (as at 30 September 2004). Four applications for waivers have been approved (as at 18 November 2004) [Ref : OC p.170] The Link will continue to seek such opportunities for relaxation, when appropriate, in order to put the parking spaces to their best uses. However, in all these cases, priority for renting carpark spaces will still be given to residents.

As regards allocation of parking spaces, The Link intends to allow carpark operators greater flexibility in allocating spaces between hourly and monthly parking according to market conditions and demand [Ref : OC p.67].

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
5.3	Parking charges : Some interlocutors were concerned about possible increase in the parking charges.	The Link intends to allow carpark operators greater flexibility in adjusting carpark rates and allocating carpark spaces between hourly and monthly parking according to market conditions and demand [Ref : OC p.67].
5.4	Reserved parking spaces : Some interlocutors asked that some parking spaces should continue to be reserved for the use of Housing Department (HD) officers, District Council (DC) members and school staff for their duties.	The Link will consider the matter on a case-by-case basis, having regard to the availability of parking spaces and the demand for reserved spaces.
5.5	Free-parking : Some interlocutors asked for a continuation of the free parking scheme after 31 March 2005.	<p>The scheme was introduced in April 2002 [Ref : OC p.86]and has been extended four times (up to 31 March 2005). As both Hong Kong's economy and the retail market are picking up again, HA considered that it is the right time to terminate the scheme.</p> <p>The Link will consider various promotional means to tailor for the needs of different facilities.</p>

ITEM VIEWS / CONCERNS EXPRESSED**SUMMARY OF RESPONSES BY HA / THE LINK****6 Trade mix**

- 6.1 **Trade mix and locations :** Commercial tenants generally asked that the trade mix and location of different trades should be kept in a balanced manner to avoid unhealthy competition, and to meet customer demands.
- The Link sees opportunities to rationalise and optimise the trade mix and tenant profile within the shopping centres, as well as between centres within close proximity. These can take the forms of (a) proper and systematic retail planning (to ensure optimal location of trades and compatibility of tenants), (b) introduction of brand name tenants, and (c) reduce duplications of trades and tenants between properties [Ref : OC pp.153]. The objective is to increase shopper traffic and satisfaction, thereby enhancing business for commercial tenants.
- 6.2 **Re-location :** Some commercial tenants were concerned about their being required to move involuntarily from one location of the retail facility to another location.
- Relocation plan, if any, would be implemented only if it is to the benefit of the shopping centre as a whole. The Link will contact shop tenants affected, if any, with a view to working out a win-win situation. An optimal location of trades will benefit the shop tenants, the customers and The Link.
- 6.3 **Continuation of trade mix :** Some commercial tenant groups hoped that The Link could stick to the trade mix maintained by HA, and enquired whether there would be any changes.
- Pls see Item 6.1.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
6.4	Undesirable trades : Some interlocutors were concerned about the possible introduction of "undesirable" trades.	The RC facilities will continue to serve the residents of the housing estates, their visitors and others. This forms one of the guidelines for the investment strategy of The Link. [Ref : OC p.63]
6.5	Desirable trades : Some interlocutors, mainly the residents, proposed the provision of certain types of shops (eg Chinese restaurants and banks) for their estates.	It is hoped that, with a more flexible and business-friendly leasing approach, the occupancy rate of the shopping centres can be improved, so that they can bring a better-quality and more comprehensive service to the residents and the customers.
6.6	Theme centres : Some interlocutors were concerned whether the retail facilities would be converted into theme centres.	The Link sees opportunities to rationalise and optimise the trade mix and tenant profile within the centres, as well as between centres within close proximity. However, the CEO of The Link Management Ltd has publicly recognised that there are only a handful of shopping centres which might be suitable for conversion into theme centres. The RC facilities will continue to serve the residents of the housing estates, the visitors and others. This forms one of the guidelines for the investment strategy of The Link. [Ref : OC p.63]
6.7	Small tenants : Interlocutors were generally concerned about the possible domination of the retail market by big corporations, and the survival of small tenants after the divestment.	Small tenants constitute a major proportion of the commercial tenants in the retail facilities to be divested. The Link will take into consideration the choice of estate customers, and endeavour to provide a fair environment for competition.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

7 Improvement works

- | | | |
|-----|---|--|
| 7.1 | <p>Progress of improvement works :
Interlocutors generally asked that the improvement works should go on, and should not be held up because of the divestment project.</p> | <p>Those improvement works already committed by the HA went on as usual during the transitional period.</p> |
| 7.2 | <p>Party in charge of improvement works :
Some interlocutors enquired whether the improvement works will be followed up by HA or The Link after the divestment.</p> | <p>The Link has agreed to take up five air-conditioning projects already committed by HA. [Ref : OC p.241 and Policies Side Letters]</p> |
| | | <p>As for other possible improvement works, it is top on The Link's list of "strategic initiatives" to increase returns through asset enhancement. The Link believes that there is scope for physical and other improvements that will create additional value for the properties, especially for the larger properties, and that there are also other smaller-scale but effective refurbishment opportunities across the portfolio. [Ref : OC p.69]</p> |
| 7.3 | <p>Asset enhancements : Some resident bodies made suggestions on possible areas of physical improvements to the RC facilities of their respective estates.</p> | <p>The Link is keen to maintain communication with shop tenants and other stakeholders. Where appropriate, The Link will consider the suggestions for possible improvements.</p> |

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

8 Livelihood of residents

8.1 **Implications on the price of goods and services :** Interlocutors were generally concerned about the possible increase in the price of customer goods and services available in the retail facilities (as a result of, for instance, increases in rent) after the divestment.

The concerns on the price of customer goods / services were closely related to the concerns on the rent of shops after divestment. As explained in Item 1.1, rental increase is not the primary objective of The Link.

The RC facilities will continue to serve the residents of the housing estates, the visitors and others. This forms one of the guidelines for the investment strategy of The Link. [Ref : OC p.63]

Prices of goods and services are essentially determined by the demand and supply of those goods and services. In the highly competitive retail market in Hong Kong, residents generally can shop for the best deal for consumer goods and services. In practice, a change in the rent for a shop does not necessarily result in a change in the prices of consumer goods and services which that shop sells.

8.2 **Use of recreational facilities :** Some interlocutors enquired if the residents would be able to use the recreational facilities located within the divestment boundaries.

Residents are welcome to use the recreational facilities located within the divestment boundaries.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
8.3	<p>Interest of residents : Some interlocutors were concerned that The Link would no longer take care of the residents after the divestment, and might even close those facilities of low returns.</p>	<p>The Link will adhere to the guideline of maintaining a large and diversified portfolio of convenience-based retail properties and carparks which will continue to serve the residents of the housing estates, the visitors and others [Ref : OC p.63].</p>
9.	<p><u>Public communication before publication of OC</u></p>	
9.1	<p>Consultation : Interlocutors generally considered that there was insufficient consultation.</p>	<p>The divestment of the RC facilities was recommended by the Report on the Review of the Institutional Framework for Public Housing published in June 2002. In the January 2003 Policy Agenda, Government announced that it would evaluate divestment options with a view to developing an implementation plan.</p> <p>Soon after HA made the decision in July 2003 to divest its RC facilities, HA issued a pamphlet to all commercial tenants and all DC members informing them of the decision and the key features and timetable of the divestment project. This pamphlet was also made available to domestic tenants at estate offices. HA also met some 10 major commercial tenant groups quickly to brief them on the project and exchange views with them. Thereafter, HA met these commercial tenant groups several times to update them on progress of the project and to listen to their views. Upon the invitation of several DCs, HA also sent representatives to attend their meetings and brief them on the project.</p>

ITEM VIEWS / CONCERNS EXPRESSED**SUMMARY OF RESPONSES BY HA / THE LINK**

9.2 **Transparency in providing updates before IPO and assurances** : Some interlocutors were concerned about the lack of transparency of the exercise, and asked for assurances / concrete plans / responses to the wish list of tenants.

After The Link Management Ltd was established and its CEO reported for duty in July 2004, The Link has been maintaining continued dialogue with commercial tenants, discussing with them matters of their concern, and keeping up the liaison with other stakeholders.

HA had taken account of the views and suggestions made by the stakeholders in formulating the detailed divestment plan. Where appropriate, the suggestions were reflected in the OC and various related documents for the purpose of the Initial Public Offering (IPO).

HA launched a public communication exercise soon after making the decision in July 2003 to divest its RC facilities (pls refer to Item 9.1). However, due to regulatory restraints on the disclosure of information prior to publication of the OC, HA could not make public any detailed information about The Link's business plan or its mode of operation until after publication of the OC for the IPO of The Link REIT.

After the publication of the OC on 25 November 2004, the constraint on information disclosure was removed to the extent information was contained in the OC. After the postponement of the IPO, representatives of the HA and The Link gave a full briefing on the divestment project and the future business strategy of The Link to every DC (or a relevant sub-committee of the DC), and every Estate Management Advisory Committee covered by the divestment project.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
9.3	<p>Participation in HA's Supervisory Group? : Some commercial tenant groups suggested that they should be represented on HA's Supervisory Group on Divestment to monitor the exercise.</p>	<p>HA and/or The Link met some 10 major commercial tenant groups from time to time, updated them on progress of the project and listened to their views.</p>
9.4	<p>Views of commercial tenants : Some interlocutors suggested that HA should listen more to the views of commercial tenants.</p>	<p>HA launched a public communication exercise to explain the divestment project and to listen to the views of commercial tenants soon after making the decision in July 2003 to divest its RC facilities (pls refer to Item 9.1). The Link is keen to maintain communication with shop tenants.</p>
<u>10</u>	<u>Arrangement for certain facilities</u>	
10.1	<p>Clinics :</p> <p>(a) The medical groups asked that HA should take a different approach for clinics and should exclude them from divestment.</p>	<p>Premises for clinics form part of HA's retail facilities. Where the facilities are selected for divestment, HA sees no reason to single out clinics for exclusion.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
	(b) The medical groups asked for a continuation of the current clinic-to-population ratio when planning for the clinic provision.	The current clinic-to-population ratio by HA is no more than a guideline which is subject to flexible application.
	(c) The medical groups asked that the "concessionary rent" arrangement for welfare premises should be extended to estate clinics.	Estate clinics are now required to pay market rent. Whilst recognising the community service they are rendering, HA sees no reason to extend the "concessionary rent" arrangement for welfare facilities to estate clinics.
	(d) The medical groups were concerned about the possible domination by big medical corporations.	The Link will take into consideration the choice of estate customers, and endeavour to provide a fair environment for competition.
10.2	Welfare and kindergarten facilities :	
	(a) Some interlocutors asked for a continuation of the concessionary rent arrangement for welfare and kindergarten facilities within the divestment portfolio.	HA has agreed with The Link that, upon divestment, non-profit-making welfare agencies and kindergartens currently enjoying rent concessions could continue to lease the premises at concessionary levels. These agencies and kindergartens would still be given rent concessions when renewing their tenancies [Ref : OC p.238 and Property Agreement].

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

(b) Some interlocutors asked for a certain percentage within the divestment portfolio being set aside for the use of welfare facilities.

The size of area to be set aside for welfare uses has been set out in the existing government leases. For cases where the government leases are still being prepared, the government leases will also put down a similar requirement which will reflect in principle the current state of play.

10.3 **Offices :**

- Some interlocutors were concerned about the arrangement for estate offices or office for DC members located within the divestment boundaries.

HA intended to rent a total of approximately 24,000 square metres of office premises for a term of two years, and was to be granted a monthly licence to use a total of approximately 3,000 square metres, within the divested properties. [Ref : OC p.164]

As regards the offices of DC members, most of them are located on the ground floor of domestic blocks which stay outside the divestment boundaries. In any event, they are now let at market rent.

11 Land use, boundary and Deeds of Mutual Covenant (DMCs)

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
11.1	<p>Boundary demarcation : Some interlocutors hoped that the boundary of the divested properties, and the responsibility of management and maintenance, should be clearly defined.</p>	<p>There are a number of general principles, set out in the OC, for determining the extent and boundaries of the properties to be divested. In addition, the extent and boundaries of the properties to be divested depended on the applicable government leases and relevant DMCs. Apart from cases where the boundaries of the properties have been generally well indicated under Government leases and relevant DMCs, HA has prepared provisional divestment boundary plans for each divested property and such plans have been annexed to the Property Agreement. [Ref : OC p.193 and Property Agreement]</p>
11.2	<p>DMCs : Some interlocutors were concerned that the rights of flat-owners may be compromised in DMC related matters.</p>	<p>The DMCs, where available, have already provided for the rights of flat owners. For those estates where the DMCs are still under preparation, the DMCs would be drawn up based on forms already agreed with the Lands Department [Ref : OC p.177 and Property Agreement].</p>
11.3	<p>Split ratio : Some resident bodies asked for a continuation of the current cost-sharing arrangement for the management and maintenance cost of estate common area, and that this should be clearly stipulated. Individual bodies, however, asked for a review of the existing split-ratio which they considered was not fair to the residents.</p>	<p>The split ratios for individual estates are normally set out in the respective DMCs. For 23 cases where a different ratio has been adopted in practice, The Link has agreed to follow such split ratios when contributing to the cost and expense of the management, repair and maintenance of estate common areas and facilities. Such requirement has been stipulated in the Property Agreement [Ref : OC p.237 and Property Agreement].</p> <p>As regards the concerns of individual estates about their split-ratios, they should be considered separately outside the divestment exercise.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
11.4	<p>Redevelopment : Some interlocutors were concerned that, after divestment, The Link may demolish the RC facilities, or change their use.</p>	<p>The Code on REIT by the Securities and Futures Commission (SFC) has prohibited a REIT from investing in vacant land or engaging or participating in property development activities. Refurbishment, retrofitting and renovations are nevertheless allowed.</p> <p>The government lease will set out the use of the land concerned (eg percentage of space for commercial use). Any party, including HA and The Link, will have to comply with the stipulated use of the land.</p>
11.5	<p>Re-sale to others : Some interlocutors were concerned about whether The Link could re-sell the properties to another party.</p>	<p>In accordance with the Code on REIT, The Link is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless unit-holders have passed a special resolution consenting to the proposed sale [Ref : OC p.44]. However, any further restrictions will unnecessarily interfere with normal market transactions. There is a restriction on the re-sale of the properties to the effect that generally each property within an estate must be sold as a whole and not in parts (pls see Item 11.6 for details). Any property re-sold will still be subject to relevant lease conditions regarding the amount of retail space and the number of carpark spaces to be provided in the property.</p>

ITEM**VIEWS / CONCERNS EXPRESSED****SUMMARY OF RESPONSES BY HA / THE LINK**

- 11.6 **Re-sale in parts :** Some interlocutors were concerned about whether The Link could sell a certain facility in parts.
- The Property Agreement provides for additional restrictive covenants to be imposed on certain divested properties. These restrictions mean that if The Link wishes to assign, mortgage or charge any of the car-park facilities within a housing estate, so long as HA remains the owner of the remaining parts of the relevant housing estate within which they are situated and has not disposed of any residential units then, any assignment, mortgage or charge by The Link must be of the car-park facilities within such housing estate as a whole and not in part(s). Similar restrictions apply to retail facilities within certain housing estates, except that the restriction survives any subsequent disposal by HA of any residential units in the relevant housing estate within which the retail facilities are situated [Ref : OC p.237 and Property Agreement].
- 11.7 **Handling of boundary irregularities :** Some interlocutors asked about cases where boundaries of HA properties (including those to be divested) have overlapped with the boundaries of the Tenant Purchase Scheme.
- The Link will operate in accordance with the law and DMCs. The Link, HA and the residents will try to work together for a fair solution to the irregularities. Before any agreement is reached, The Link will follow the government leases, DMCs and other title documents.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

12 Social responsibility

12.1	<p>Venue for community functions : Some local groups or DC members enquired about whether they could continue to rent spaces within the divested properties for community functions.</p>	<p>The Link does not, for the time being, intend to change the current arrangement for community functions. These functions should help increase shopper traffic, and benefit The Link and the shop tenants.</p>
12.2	<p>Right of way : Some interlocutors were concerned about their access through the divested properties.</p>	<p>The current existing rights of residents to pass through the divested RC facilities have been / will be duly provided for in the government leases and / or DMCs. After all, it is in the interest of The Link to encourage, rather than inhibit, shopper traffic at its facilities.</p>
12.3	<p>Social considerations : Some interlocutors were concerned whether The Link would pay any regard to social considerations and be sympathetic to the shop tenants, as much as HA does now.</p>	<p>The Link will continue HA's steady commitment to community and charity affairs, and will work towards the goal of a "socially responsible corporate". It is also keen to build up and maintain a partnership relationship with the shop tenants.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

13 Merits of divestment

13.1	<p>Divestment or no divestment : Some interlocutors supported the divestment but some others opposed to it for various reasons.</p>	<p>Having recognized that some commercial tenants, residents of public housing estates and members of the public were initially not very clear about the divestment project and the future business strategy of The Link for its shopping centres and carparks, the nature of the public communication exercise (after publication of the OC) and subsequent briefings (after postponement of the IPO) conducted by HA and The Link were principally aimed at promoting public awareness of the details of the divestment arrangement to ensure a smooth transition and later, a smooth relaunch after resolution of the legal challenge.</p>
13.2	<p>Efficiency enhancement without divestment : Some interlocutors opined that HA should seek to improve the operation of the RC facilities, rather than trying to do it vide divestment.</p>	<p>There is a limit to which HA, adopting public sector practices and lacking expertise in commercial operations, can unlock the full potential of the RC facilities.</p>
13.3	<p>Concerns of commercial tenants : Interlocutors generally opined that the concerns of the shop tenants should be addressed, and that their reasonable interests should be safeguarded.</p>	<p>Agreed. HA launched a public communication exercise soon after making the decision in July 2003 to divest its RC facilities (pls refer to Item 9.1). The issues raised by the tenant groups and the views received were carefully considered by HA, The Link and the relevant consultants. Where appropriate, HA incorporated the views and requests of the shop tenants in working out the details of the divestment arrangement.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
13.4	Postponement : Some interlocutors asked for a postponement of the privatization exercise.	The request for postponement was largely due to the perception of certain stakeholders that the commercial tenants' concerns had yet to be addressed. However, HA considered the views expressed by the stakeholders which, where appropriate, have been reflected in the OC and various related documents for the purpose of the IPO.
14	<u>Strategy and scope of Divestment</u>	
14.1	Priority in subscription : Some commercial tenants asked for priority to subscribe for shares in the new company.	HA had considered the possibility of preferential allocation, but turned down the idea eventually, given the huge number of commercial tenants, their different circumstances, and the logistical difficulties involved.
14.2	Purchase of shop units by tenants : Some commercial tenants (especially the estate clinics) asked for a chance to buy their own shop units.	According to HA's divestment strategy, the RC facilities will be held, after the divestment, by The Link REIT. The commercial tenants can participate in the ownership of the RC facilities by acquiring units in The Link REIT. However, the RC facilities are not divested individually.
14.3	In one go or by phases : Some interlocutors enquired about the rationale for divesting the RC facilities in one go, and some suggested that the facilities should be divested by phases.	The approach of divesting all properties suitable for divestment in one go will maximise the operational efficiency of The Link, and minimise the uncertainties arising from a phased approach. It will therefore enhance the divestment proceeds to HA. Divestment in one go will also help reduce the cost to HA.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
14.4	<p>Favouritism to overseas corporations : A few interlocutors commented that the divestment would only benefit the overseas corporations.</p>	<p>According to the allocation result of the IPO in December 2004 (Dec 2004 IPO), all valid applications for units in The Link REIT under its Hong Kong Public Offering would receive at least one board lot of units and at least 64.8% of the total units were to be allocated to local investors (retail investors and Mandatory Provident Funds).</p>
14.5	<p>Exclusion of premium lettings : Some commercial tenant groups asked that HA should exclude those shops on "premium" lettings from divestment.</p>	<p>Many cases of "premium" lettings are located in RC facilities of older age which are not included in the divestment portfolio. For those "premium" lettings located within the divested facilities, The Link has agreed to continue the current arrangements of HA with respect to certain properties which would allow the relevant tenants to re-let their premises and receive the premium paid by the incoming tenant in accordance with HA's present premium tendering procedures [Ref : OC p.238 and Property Agreement]</p>
14.6	<p>Relationship between HA and The Link : Interlocutors were generally concerned about the relationship between HA and The Link in the future. Some suggested that HA should hold some units to control The Link or to share the upside of its operation.</p>	<p>HA will not hold any units of The Link REIT (except to the extent the over-allotment option is not exercised [Ref : OC p.24 and p.279]). After the listing of The Link REIT, The Link Management Ltd will be beneficially owned by unit-holders of The Link REIT and held in trust by The Link REIT's trustee. The Link will operate with full independence from HA.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
14.7	<p>Scope of divestment : Interlocutors were generally interested to know the criteria for selecting the facilities in individual estates for divestment.</p>	<p>The basic principle is that, to the extent possible, all RC facilities of HA should be divested, except for certain properties which were excluded due to their age, size, location etc. [Ref : OC p.192]</p> <p>The composition of the divestment portfolio was announced on 25 November 2004 along with the official publication of the OC for the IPO of The Link REIT.</p>
14.8 *	<p>Cornerstone investors : Some interlocutors questioned the need for cornerstone investors, and questioned the share of units they have taken up in the Dec 2004 IPO.</p>	<p>Given the huge size of the IPO, The Link Management Ltd's absence of any established operating history, and The Link REIT being the first-ever REIT launching an IPO in Hong Kong, it was of utmost importance to gain the recognition of some cornerstone investors. In the Dec 2004 IPO, only 18.8% of the total units were allocated to nine cornerstone investors (excluding the strategic partner).</p>
14.9 *	<p>Alternative means of divestment : Some interlocutors put forward their ideas on some other means of divestment, after the postponement of the IPO.</p>	<p>The divestment project has been pursued along the structure a REIT. This takes into account the effect on the divestment proceeds, impact on the local property market, the level of broad retail participation and the technical constraints.</p> <p>A REIT structure would allow for strong corporate governance. It will be subject to the regulation of the SFC and the monitoring of an independent trustee, as stipulated in Code on REIT.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

14.10*	Strategic Partner : Some interlocutors questioned the need to bring in a strategic partner.	HA selected CapitaLand, after a vigorous selection process involving companies with experience in managing retail REIT in the region, as the strategic partner of The Link Management Ltd. HA believes that the experience and know-how of CapitaLand would bring substantial benefits (eg expertise in REIT management, brand name and third-party validation) to The Link.
--------	--	--

15 Corporate Governance

15.1	Participation of commercial tenants : Some individual groups of commercial tenants asked to be represented on the Board of Directors of The Link.	The Board is responsible for the overall governance of The Link Management Ltd. It should comprise Directors with a broad range of commercial experience, including expertise in funds management and the property industry [Ref : OC pp.218-219]. The Link is keen to maintain communication with the commercial tenants.
------	--	--

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
15.2	<p>Significant holders : Some interlocutors were concerned about the possible domination of The Link by big corporations. Some suggested capping the percentage of units held by any single unit-holder.</p>	<p>HA considers that, given the huge portfolio of The Link REIT, the chance of its being taken over by a corporation is not high. Moreover, in a free economy, transaction of units in The Link REIT should follow market forces, and there is no full-proof mechanism to eliminate the possibility of take-over.</p> <p>Having said the above, a number of corporate governance features in addition to those inherent in a REIT are set out in a dedicated chapter in the OC [<u>Ref</u> : OC pp.218-225]. In particular, under the Trust Deed and the Code on REIT, "significant holders" of units in The Link REIT (being the holders of 10% or more of the units) would be required to notify the Trustee of their holdings in The Link REIT [<u>Ref</u> : OC p.227 and Trust Deed]. This measure would increase the transparency of any "significant holders" of units in The Link REIT.</p>
15.3	<p>Board of Directors and CEO : Some interlocutors enquired about the composition and re-appointment of the Board of Directors of The Link Management Ltd, the remuneration of the board directors, the quality and capability of the CEO.</p>	<p>The OC has already set out the composition of the Board of Directors, and the procedures for the appointment and removal of directors [<u>Ref</u> : OC pp.219-222].</p> <p>The remuneration of the executive and non-executive directors was set with reference to the market norm.</p> <p>The CEO was selected after a vigorous selection process, under the steer of a three-member Search Committee under HA's Supervisory Group on Divestment.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
15.4	<p>Staff profile of The Link : A few interlocutors enquired whether The Link Management Ltd, if staffed by ex-HD staff, could make a lot of improvements.</p>	<p>The Link Management Ltd now has an approximately 30:70 mix between ex-HD staff and staff recruited from the outside market. This mix would help bring in expertise and innovative ideas from the commercial sector on the one hand, whilst retaining a certain degree of HA staff's expertise in managing these properties on the other hand.</p>
15.5	<p>Means of public monitoring : A few interlocutors were concerned that LegCo or DCs would no longer be able to monitor The Link after the divestment.</p>	<p>The Link will keep up the communication with LegCo and DCs. The company has also adopted policies and procedures to ensure a high standard of corporate governance, and will be monitored by the Board of Directors.</p>
<u>16</u>	<p><u>On-going communication with stakeholders</u></p>	
16.1	<p>Communication with DCs and resident bodies : Interlocutors (notably DC members and residents) generally suggested that The Link should keep up the communication with DCs and Estate Management Advisory Committees (EMACs).</p>	<p>The Link intends to attend meetings of DC and EMAC, upon invitation, to discuss issues relating to its operation.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
16.2	<p>Communication with commercial tenants : Interlocutors (notably shop tenants) generally suggested that The Link should keep up the communication with the shop tenants.</p>	<p>The Link is keen to build up and maintain a partnership relationship with the shop tenants. It would be in the interest of The Link to foster an open dialogue and partnership with the tenants in its efforts to enhance the asset value and operational efficiency of the facilities.</p>
16.3 *	<p>Intention of briefing sessions : Some interlocutors questioned why briefing sessions on the divestment project and the future business plan of The Link were conducted only after the postponement of the IPO. A few of them questioned the sincerity of HA and The Link.</p>	<p>As explained above (under Item 9.2), HA or The Link could not make public any detailed information about the business plan or mode of operation of The Link until after publication of the OC for the IPO of The Link REIT.</p> <p>The Link is nevertheless keen to maintain communication with shop tenants and other stakeholders in relation to daily operational issues. The CEO has met many commercial tenant groups, LegCo / DC members, various representatives of the commercial tenants, as well as the operators themselves within the eight districts under The Link's framework. In addition, HA and The Link gave joint briefings on the divestment project and the business strategy of The Link.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

17 Financial Position of HA

- | | | |
|------|---|--|
| 17.1 | Loss of a steady source of income : | In 2004-05, the net (after dividend payment to Government) recurrent contribution (about \$600m) from the commercial properties to be divested, to the remaining portion of HA's consolidated operating account constituted less than 5% of either operating income or operating expenditure (\$13 billion). To this extent, the impact of the loss of that contribution on the HA's operating budget is relatively insignificant. The investment income from the divestment proceeds will provide additional revenue to HA. |
| 17.2 | Implications on domestic rents : Some interlocutors wondered whether the rent for domestic tenants can be reduced, or whether it will be increased instead as a result of divestment. | Proceeds from the divestment will help meet HA's capital expenditure on future public rental housing construction. The level of domestic rent is set having regard to affordability of tenants and relevant provisions of the Housing Ordinance. |
| 17.3 | Alternative means for financial relief : Some interlocutors considered that there were other means for HA to solve its financial difficulties (eg loan, efficiency enhancement, government subsidies). | The main objective of the divestment is to relieve HA of the responsibility for operating the RC facilities on a commercial basis, so that it can focus on its core mission of providing subsidized housing to people in need. |

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
17.4 *	<p>Urgency for re-launch : Some interlocutors enquired about the impact of the postponement of the IPO on the financial position of HA, and whether there was any urgency to re-launch the IPO.</p>	<p>The divestment plan constitutes an important sector of HA's budget. In the production of public rental housing, HA needs a five-year plan in order to maintain the average waiting time at three years. HA has to exercise prudence in the management of its budget as well as planning far ahead.</p>
17.5 *	<p>Loss to HA : Some interlocutors enquired about the loss to HA arising from the postponement of the IPO, and the party(s) to be responsible for the exercise.</p>	<p>Broadly speaking, since The Link REIT cannot be listed as scheduled, HA must repeat some preparatory work in order to re-launch the listing. Such work will incur additional expenses. Moreover, should interest rates go up or investors' sentiments change, pricing of The Link REIT upon the re-launch will be affected. This may in turn affect the divestment proceeds to HA.</p> <p>HA is an independent statutory body and is fully responsible for taking the divestment project forward. As a matter of policy, the Government agrees with HA's initiative and has been providing necessary support to HA. Given the significant magnitude of the divestment project, a number of public and private organizations are involved.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

18 **Transitional arrangements**

18.1 **Importance of smooth transition :** Some commercial tenants asked for a smooth transition process, and asked whether the current tenancies would continue to be in force after the divestment.

HA and The Link are mindful of the need to ensure a smooth transition. According to the original plan, in order to ensure a smooth handover and no disruption to services, HA was to provide operational support (under a Service Level Agreement) to The Link for a short transition period.

As regards the tenancy agreements signed between HA and the commercial tenants of the properties included in the divestment project, they will be taken over and managed by The Link. The existing tenancy agreements and their terms will remain in force until their expiry or termination.

18.2 * **Roles of The Link Management Ltd before divestment :** Some interlocutors were concerned about the role played by The Link Management Ltd during the transitional period, and whether there would be any duplication in resources in the management of the RC facilities to be divested.

The Link Management Ltd will remain as a subsidiary wholly-owned by HA, before the listing of The Link REIT. It has taken over the management of HA's divestment portfolio, and HD will play a supportive role to minimise possible duplication of resources. The Link Management Ltd is now operating under a budget allocation and has put in place an internal control system to ensure effective use of public funds.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

19 Residual properties

- | | | |
|--------|--|---|
| 19.1 | Management of residual properties : Some interlocutors asked that HA should take good care of those properties outside the divestment portfolio. | Certain shopping centres and car parks under HA will not be divested for the time being. These facilities will still be owned by HA who will continue to be responsible for their management under the roof of public housing estate management. |
| 19.2 * | Divestment of residual properties : Some interlocutors enquired whether and when the properties outside the current divestment portfolio would be divested. | In future, should the right opportunity arise, HA may divest these residual facilities to The Link REIT subject to agreement reached by the two sides. In other words, divestment is an on-going exercise and the listing of The Link REIT will not bring an end to it. |

20 IPO arrangements

- | | | |
|------|---|---|
| 20.1 | Timetable of the original launch : Some interlocutors questioned whether end 2004 was the right time to divest, as the economy was picking up. | HA agreed with the advice of the Joint Global Coordinators and its independent Financial Advisor that end 2004 was the right time for the IPO of The Link REIT, given the progress of the various restructuring / preparatory works required and the general market conditions. |
|------|---|---|

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
20.2 *	<p>Possibility of "buy-back" : Some interlocutors considered that the listing of The Link REIT could go ahead in December 2004, despite the judicial review (JR) proceedings, provided that HA could provide a "buy-back" arrangement.</p>	<p>The unresolved possibility of appeal to the Court of Final Appeal (before the deadline stipulated in the OC for the listing) constituted a material change in circumstances from those prevailing at the time of publication of the OC and would not have allowed the transaction to proceed as originally contemplated.</p> <p>The proposed buy-back arrangement could not resolve the above legal issue. Moreover, since it may cause HA to hold some of the units (even after exercising the over-allotment option), which is against the terms of the OC, the proposed arrangement would give rise to other complications.</p>
20.3 *	<p>Claim for compensation : Some investors asked for compensation of their loss due to the postponement of the IPO.</p>	<p>In accordance with the refund arrangements set out in the OC, an investor who has applied for units in The Link REIT is entitled to a refund of the application monies paid together with related brokerage and levy charges incurred, without interest [Ref : OC pp.310-312]</p> <p>As regards the claim for margin financing charges incurred in connection with the subscription for units in The Link REIT, there is no valid basis for such claim.</p>
20.4 *	<p>Impact on IPO pricing of units in The Link REIT : Some interlocutors enquired about the implications of the postponement of the IPO on the future pricing of The Link REIT units upon the IPO re-launch.</p>	<p>The pricing of the units will depend on a number of factors (eg the prevailing market conditions). However, it is too early to assess the impact attributable to the postponement of the IPO.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

20.5 * **Timetable of IPO re-launch :** Some interlocutors enquired about the timing of the IPO re-launch.

HA looks forward to an early conclusion of the JR proceedings and to legal finality on HA's power to divest, so that the IPO of The Link REIT can be re-launched as soon as practicable. In this connection, it is worth to note that the Court of Final Appeal will hear the case on 5-6 July 2005.

20.6 * **Reasons for postponement of the IPO :** Some interlocutors found it difficult to understand why HA did not go ahead with the listing of The Link REIT as scheduled.

The Court of First Instance and the Court of Appeal have ruled in HA's favour on its power to divest, but it was unclear (before the deadline stipulated in the OC for the listing of The Link REIT) whether the JR applicant would appeal to the Court of Final Appeal. Therefore, the unresolved likelihood of an appeal to the Court of Final Appeal constituted a material change in circumstances from those prevailing at the time of publication of the OC and would not have allowed the transaction to proceed according to the original timetable.

To safeguard the interests of both investors and HA, HA decided not to proceed with the listing of The Link REIT on 20 December. This was in the best interest of the public and was the most prudent and responsible arrangement in the circumstances.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
20.7 *	<p>Environmental protection : An environment protection agency suggested that measures should be taken to save papers and to encourage recycling of the OCs.</p>	<p>For the Dec 2004 IPO, HA urged the public to use CD ROMs to download details of the OC to support environmental protection. If members of the public really need a hard copy of the OC, HA has also encouraged them to take either the Chinese version or the English version, rather than both versions. For the IPO re-launch, HA will do the same and, where feasible, take other environment-friendly measures.</p>
20.8 *	<p>Language requirements : Some interlocutors questioned the requirement to complete the application forms for the IPO of The Link REIT in English.</p>	<p>The requirement that application forms for the IPO of The Link REIT be completed in English is in line with market practice and has been adopted in all IPOs in Hong Kong. Applicants who find it difficult to complete the forms in English were advised to consult their stockbroker, bank manager, solicitor, professional accountant or other independent professional advisor.</p>

ITEM VIEWS / CONCERNS EXPRESSED**SUMMARY OF RESPONSES BY HA / THE LINK****21 Property valuation**

21.1 **Integrity of property valuation :**
Interlocutors generally expected HA to ensure a fair valuation.

There is no question of HA selling the properties cheaply. The valuation of the property portfolio to be divested has been conducted by an independent valuer as required by SFC's Code on REIT. The valuation has been made in accordance with widely accepted Hong Kong and international standards. According to this independent valuation, as at 30 September 2004, the total market value of the 180 RC facilities in the divestment portfolio was \$30,850 million.

The price range (\$10.51-\$10.83 per unit) stated in the OC represents a premium to net asset value of The Link REIT of about 5-8%.

21.2 **Allegation of under-valuation :** Some alleged that the properties had been under-valued, and some considered such allegations to be shaky.

There is no question of HA selling the properties cheaply. The valuation of the property portfolio to be divested has been conducted by an independent valuer as required by SFC's Code on REIT. The valuation has been made in accordance with widely accepted Hong Kong and international standards.

The allegations of "under-valuation" have failed to take account of certain special features of the properties concerned (eg customer base, vacancy rate, restrictions on redevelopment / resale). The apparently higher valuation claimed by some is premised on a sharp rental increase to the detriment of shop tenants and customers.

ITEM VIEWS / CONCERNS EXPRESSED**SUMMARY OF RESPONSES BY HA / THE LINK****21.3 Merits of a two-valuation approach :**

Some interlocutors questioned why the valuation was conducted by only one valuer, instead of two valuers.

The valuation of the property portfolio has been made in accordance with widely accepted Hong Kong and international standards. The availability of two valuations would be confusing. The market may, for example, be concerned about over-valuation if the higher of the two valuations is adopted. After all, the outcome of property valuation (\$30,850 million as at 30 September 2004) is close to the market estimates at that time, as well as the estimates of the independent research teams of the three Joint Global Coordinators.

22 Allocation of units

22.1 * **Local investors and MPFs :** Interlocutors generally felt that local retail investors and Mandatory Provident Funds (MPFs) should be given priority in the exercise of allocating The Link REIT units. Many asked that a majority of the units should go to the hands of the local investors and MPFs.

The IPO comprised an International Offering and a Hong Kong Public Offering (HKPO) (which targeted mainly at local retail investors). The mechanism to claw back some units under the International Offering for sale under the HKPO, in the event of a substantial over-subscription in the HKPO, has been stipulated in the OC [Ref : OC p.278].

According to the allocation result of the Dec 2004 IPO, had the listing of The Link REIT been proceeded as scheduled, more than 60% of the units were allocated to local retail investors and MPFs.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

22.2 * **Preferential allocation for IPO re-launch :**
 After the postponement of the IPO, some interlocutors suggested that the successful subscribers in the Dec 2004 IPO should be given the same allocation, or a priority in the allocation exercise, when the IPO is re-launched.

HA is examining the suggestion.

23 **Legal and JR matters**

23.1 * **Risk disclosure :** Some interlocutors questioned why the litigation risk had not been disclosed in the OC.

The purpose of disclosing risk factors is to warn people of material risks that could adversely impact on the value of their investment, and consequently allow them to make an informed investment decision. Risk factors cannot cover every eventuality, nor would it be fair to expect investors to assume responsibility for risks of a nature which could not reasonably be foreseen at the time of the issue of OC. Any generic disclosure of litigation would not have been sufficient to cover the potential actions and implications of the litigation.

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
23.2 *	<p>Legality of divestment : Some interlocutors questioned why HA did not sort out the legality of its divestment early, or why it did not amend the Housing Ordinance to remove the legal uncertainty.</p>	<p>The divestment has a firm legal basis. Both local and international senior counsel has specifically advised that HA clearly possesses power to divest its RC facilities under the Housing Ordinance. The lawfulness of the divestment was subsequently upheld by both the Court of First Instance and the Court of Appeal. The Court of Final Appeal will hear the appeal on 5-6 July 2005.</p> <p>The legislative route, even if taken, would still not be able to remove entirely the possibility of other JR applications that may disrupt the IPO and the divestment plan.</p>
23.3 *	<p>Appropriateness of discussion amidst JR in progress : Some interlocutors enquired whether it was the right moment to discuss the divestment project or the business plan of The Link, since the JR proceedings were still going on.</p>	<p>The briefing sessions by HA and The Link aimed to focus on the divestment project and the future business plan of The Link, rather than the JR proceedings.</p>
23.4 *	<p>Delivery of The Link's undertakings : Some interlocutors enquired how to ensure The Link will deliver its undertakings aimed to safeguard the interest of the commercial tenants.</p>	<p>Where appropriate, the undertakings have been reflected in the OC and various related documents for the purpose of the IPO. These are documents with binding effect on the contractual parties.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
23.5 *	<p>Due diligence for re-launch : Some interlocutors asked for a more stringent legal due diligence to prevent future legal challenges of the IPO.</p>	<p>These are matters subject to legal advice.</p>
23.6 *	<p>JR and rule of law : Some interlocutors asked HA to take a hard-line approach against those launching / organising the JR action, whilst some others did not think Madam Lo should be blamed for launching the JR.</p>	<p>HA respects the right of Madam Lo to challenge its power to divest and, after losing her case, to appeal. The actions HA has taken are in full accordance with the rule of law, and are in the best public interest.</p>
23.7 *	<p>Funding the JR applicant to appeal : Some interlocutors did not agree with HA's funding the JR applicant to appeal to the Court of Final Appeal.</p>	<p>The proposal that HA pay the legal costs for Madam Lo's appeals (including any appeal to the Court of Final Appeal) originated from the lawyers representing Madam Lo in January 2005. In responding to those proposals, HA indicated that it was in principle willing to agree to fund any appeal provided Madam Lo agreed to a shorter timetable aimed to bring a conclusion to the JR case as quickly as possible. In the circumstances, however, Madam Lo refused to accept the terms proposed by HA.</p>

ITEM	VIEWS / CONCERNS EXPRESSED	SUMMARY OF RESPONSES BY HA / THE LINK
------	----------------------------	---------------------------------------

24 Miscellaneous

24.1 **Estate Management** : Some resident bodies raised miscellaneous issues about estate management (eg hawker control, management of walkways).

HA will follow up the estate management issues raised during the briefing sessions separately outside the divestment exercise.

24.2 **Implications on HA staff** : Some interlocutors were concerned whether the divestment project would make some HA staff redundant and jobless.

HA has re-assured its staff that there will not be any forced redundancy of civil servants arising from the divestment, and it is up to individual staff to decide whether to join a Voluntary Exit Scheme aimed at dealing with the staff surplus arising from the divestment project. HA has also re-assured staff that those who choose to remain in the civil service will be gainfully re-deployed.

As regards contract staff, to minimise the impact on those affected, HA endeavours to identify suitable opportunities for redeployment within the HD for them. In case no such opportunity can be identified, their contracts will not be renewed upon expiry. To assist outgoing contract staff whose contracts are not renewed, HA is currently providing re-employment training to them. HA will also recommend to other employers those contract staff with good performance to help them secure new jobs. In view of the latest staffing position and the redeployment opportunities available, HA does not envisage the need to terminate the contracts of any affected contract staff before expiry.