領匯 The Link

The Link Management Limited 領匯管理有限公司

LC Paper No. CB(1)1152/05-06(02)

Clerk to the Panel on Financial Affairs
Legislative Council Secretariat,
Legislation Council Building
8 Jackson Road, Central,
Hong Kong.
(Attn. : Miss Salumi Chan)

By fax and e-mail

Fax : 2869 6794
Your Ref. : CB1/PL/FA

22 March 2006

Dear Miss Chan,

Panel on Financial Affairs
Meeting on 3 April, 2006

I refer to your letters of 13 January and 6 March 2006.

I have submitted detailed replies on 12 and 13 December 2005 to the Panel's questions raised in your letter of 10 December 2005. I trust that I have responded fully in the **attached** note to the Panel's further questions addressed to me in your letter of 13 January 2006, and that copied addressees would respond to the other questions.

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Please convey the attached reply to the Panel and inform the Chairman that due to other commitments, I am unable to attend the captioned meeting. As the questions relate mainly to compliance matters, Mr Simon Ho, Compliance Manager and Ms Phoebe Lam, Legal Counsel and Company Secretary will attend the meeting.

Yours sincerely,

(Paul CHENG Ming-fun, JP)
Chairman, Board of Directors
The Link Management Limited

cc : Hon Bernard CHAN, JP (Chairman of Panel on Financial Affairs)
(Fax : 2869 6794)
Secretary for Housing, Planning and Lands (Fax : 2537 5139)
Secretary for Financial Services and the Treasury (Fax : 2147 3873)
Chairman, Securities and Futures Commission (Fax : 2845 9553)
Chairman, Hong Kong Exchanges and Clearing Limited
(Fax : 2521 8261)

Legislation Council Panel on Financial Affairs Meeting on 3 April 2006

Financial Issues relating to the listing of The Link Real Estate Investment Trust

This note is in reply to the questions raised in the Clerk to the Panel's letter of 13 January 2006 to the Chairman, Board of Directors of The Link Management Limited. For ease of reference, my reply follows each of the questions raised.

1. Appointment of Mr Paul CHENG as a Senior Advisor to the Deutsche Bank's Asia Pacific Regional Advisory Board on 1 April 2005

   (a) Whether Mr CHENG is remunerated for the position as the Senior Advisor to Deutsche Bank;

Answer: ***My position as senior advisor to the Deutsche Bank (DB) is remunerated.***

   (b) According to the press statement issued by Deutsche Bank on 9 December 2005, Mr CHENG's role as the Senior Advisor "extends to providing guidance and counsel to Deutsche Bank management on the general business and commercial environment in Hong Kong and Asia; its overall business development in Asia....", etc. Whether

Mr CHENG's provision of guidance and counsel on the overall business development of the Bank in Asia may cover the advice on the Bank's investment strategies, including the acquisition of additional units of The Link Real Estate Investment Trust (The Link REIT) and related issues;

Answer : ***No. I am not involved with nor have given any advice on DB's investment strategies. DB has not consulted or informed me in regard to its acquisition of the units. Please see the copy of a letter*** **(annexed)** ***of 6 January 2006 from DB to the Board of Directors which further clarified my role as an advisor to DB and also confirmed that I do not have any role in advising DB on property related and / or real estate trust related matters.***

(c) If Deutsche Bank, which holds about 5.05% of the units of The Link REIT (as at early December 2005), joins with some significant unit-holders to propose replacing the Board of The Link or selling the Link REIT's assets, what position would Mr CHENG take in serving as the Senior Advisor to the Bank as well as the Chairman of the Board of Directors of The Link? Would there be any real, potential or perceived conflict of interest involved?

Answer : ***This situation will not arise as I am not renewing my advisory position with DB on expiry of the current term on 31 March 2006.***

2. Appointment of Mr Paul CHENG as the Chairman of the Board of Directors of The Link on 1 April 2005

(a) Mr CHENG , in his reply dated 12 December 2005 to the Panel (LC

Paper No. CB(1)514/05-06(03)), indicated that he had verbally informed the HA and The Link of his advisory role with Deutsche Bank prior to accepting appointment as an independent non-executive director and Chairman of The Link on 1 April 2005. What actions have then been taken by the Administration, the HA, The Link and Mr CHENG to ensure that there is no conflict of interest involved between the two posts?

Answer : ***The Link Management Limited has in place internal governance policies requiring its Directors to, where a potential or perceived conflict of interests arises, declare any interest they may have and if considered necessary, abstain from any discussions and decisions at meetings. These policies and practices are designed to ensure that the Board's decision-making is conducted independently and impartially.***

(b) At the special meeting of the panel on 14 December 2005, the Administration advised members that the appointment of Mr Paul CHENG as the Chairman of the Board of Directors of The Link had been made by the Board of Directors, not by the HA. In offering the appointment to Mr CHENG, has the Board of Directors taken into account his appointment as a Senior Advisor to Deutsche Bank? Given that The Link was a wholly-owned subsidiary of the HA before the listing of The Link REIT on 25 November 2005, did the Board comprise representatives of the HA at that time?

Answer : ***No. The Board considered Mr Cheng's credentials and previous private sector and public experience when approving his appointment. As DB was not involved in providing any services to the company and it was not involved in the work related to the***

IPO, there was no conflict of interest between Mr Cheng's position with DB and his duties as Chairman of the Board of Directors. Mr CM Leung, the former Director of Housing , was a member of the Board at the time.

3. Non-disclosure of Mr CHENG's advisor role with Deutsche Bank in the Offering Circular in the Initial Public Offering (IPO) for The Link REIT

(a) Mr CHENG, in his reply dated 12 December 2005 to the Panel (LC Paper No. CB(1)514/05-06(03)), indicates that "given the general and advisory nature of my role with Deutsche Bank and the focus in the Offering Circular on the requirement to disclose other directorships, we did not consider the details of my advisory position with Deutsche Bank to be material information for the purposes of disclosure in the Offering Circular at the time of its publication". Does the word "we" refer to the Board of The Link? Did it come to such a view before or after the publication of the Offering Circular on 14 November 2005?

Answer : ***My advisory position with DB was not material information which required disclosure in the Offering Circular. I was personally responsible for my bio-data in the Offering Circular.***

4. Non-disclosure of Mr CHENG's advisor role with Deutsche Bank during the meeting on 19 November 2005 to decide the pricing and allocations to investors for the Link REIT IPO

The Administration, in its paper to the Panel (Paragraph 23 of LC Paper

No. CB(1)514/05-06(01)), indicated that during the meeting to decide the pricing and allocations to investors for The Link REIT IPO, Mr CHENG did not remind the meeting of his advisor role with Deutsche Bank, and that the Administration has carefully examined the matter and was satisfied that the non-declaration by Mr CHENG did not have any impact on the outcome of the allocations. However, was there any real, potential or perceived conflict of interest involved? What follow-up actions have been or will be taken by the Administration, the HA and SFC on the non-disclosure?

Answer : ***As stated in my letter of 13 December 2005, the meeting to decide the pricing and allocations to investors focused primarily on setting the unit price and allocation of units between retail investors under the HKPO and institutional investors under the international offering. The meeting did not discuss nor review the list of investors listed in the appendices. These investors were selected by Joint Global Co-ordinators (JGCs) and the meeting decided to leave the final allocations for institutional investors to the JGCs and HA's Financial Adviser.***

5. Review of disclosure requirements for significant unit-holders of The Link REIT

Under the REIT Code and the Trust Deed of The Link REIT, a person having an interest in 10% or more of all the units in issue is a "significant holder". A significant holder must notify the Trustee and the Manager of The Link REIT within three business days of acquiring such interest and of every subsequent change in unit-holding by a whole percentage point above such threshold. To enhance the transparency of "significant holding", whether the SFC and The Link would consider reducing the threshold to 5% for The Link REIT?

Answer : ***The Link Management Limited has implemented a new disclosure of interest requirement with effect from 16 February 2006. Any person having an interest in 5% or more of the units in issue is required to disclose the holding to the Stock Exchange of Hong Kong (SEHK) and the company within three business days and thereafter, every subsequent change in the holding of such interest by a whole percentage point above the 5% threshold. Such notifications of interest in the units in issue are published on SEHK's website.***

Annex

"Polly Lee"
<polly.lee@db.com>
06/01/2006 12:01

To Phoebe.WT.Lam@thelinkreit.com
cc Sardara.S.Dillon@thelinkreit.com, "Paul Cheng" <paul.cheng@db.com>
bcc
Subject DB's confirmation to LML Board re Mr. Paul Cheng

To: The Board of Directors of The Link Management Limited

At the request of The Link Management Limited ("LML"), the manager of The Link REIT, we would like to confirm that Mr. Paul Cheng's role as a Senior Advisor to Deutsche Bank ("the Bank") is to provide high-level, strategic advice and consulting support to the Bank. This includes assisting the Bank achieve its broad business objectives in Asia and enhance its standing in the region, in particular through the Bank's charitable activities via the Deutsche Bank Asia Foundation.

We would like to reiterate that Mr. Cheng's role has not involved, and will not involve, participation in any day-to-day operations of the Bank, nor any discussions or decisions in relation to the Bank's investment and trading activities either for its asset management business or on behalf of DB's clients. With respect to property related and/or real estate investment trust related matters, Mr. Cheng has not had any role in advising the Bank, nor will he have going forward as our advisor.

DB's consolidated position in the Link REIT, as reported on 5 December 2005 was 5.05%, which was made up of a 3.58% interest by DB as Prime Broker, a 1.03% interest by DB as principal and a 0.44% interest by DB Asset Management.

We understand the information and confirmation provided above may be furnished to SFC for reference and we hope this would provide both the Board of LML and the SFC a better understanding of Mr. Paul Cheng's advisory role in DB.

Yours faithfully
Polly Lee
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