

The Link Management Limited 領匯管理有限公司

Manager of The Link REIT

Paul M.F. Cheng JP
Chairman
鄭明訓
主席

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

By fax and despatch

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

31 August 2006

Dear Miss Chan,

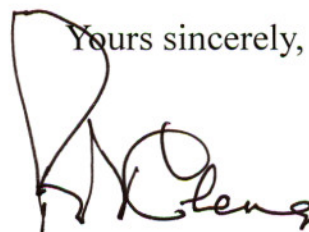
Hon James To's Letter of 29 June 2006

I refer to your letter of 21 July 2006 concerning the captioned letter.

I had earlier provided detailed responses to the Panel and Hon James To's questions concerning potential conflict of interest arising from my former position as adviser to the Deutsche Bank's Regional Advisory Board. The issues raised have been critically reviewed by all relevant parties, including the Housing Authority and The Link Management Limited (LML)'s Board. The conclusion was that there was no conflict of interest between my role as Chairman of LML and former role as adviser on Deutsche Bank's Regional Advisory Board.

My written response to Hon James To's questions is **attached**. As a former legislator, I obviously understand and have every respect for legislators' work. Since I have already provided detailed answers, I do not feel that my attendance to be necessary. I wish, however, to say that I am declining your invitation to attend the Panel meeting as a matter of principle, and not out of being disrespectful.

Yours sincerely,



(Paul Cheng Ming-fun)
Chairman, Board of Director

cc : Hon Bernard CHAN, JP (Chairman)
Hon James TO Kun-sun
Secretary for Housing, Planning and Lands (Fax : 2537 5139)
Secretary for Financial Services and the Treasury (Fax : 2147 3873)
Director of Housing (Fax : 2762 1110)

Reply to Hon James To's Letter of 29 June 2006

Question 1

- (a) Mr. CM Leung was consulted verbally in March 2005 and informed in general terms about the nature of the adviser position, that the position did not have any executive functions. The question of remuneration was not raised.
- (b) Yes.
- (c) No. The question of remuneration was not raised as it was not a relevant consideration. The adviser position did not involve any day-to-day operations and DB was not involved in the then IPO process and it was not providing any services to the Hong Kong Housing Authority (HA) or The Link Management Limited (LML) or The Link REIT.
- (d) No, as explained in (c) above.
- (e) The Board was informed that the adviser position was remunerated on 5 January 2006. The Administration was not informed until the information was disclosed to the Panel at its meeting in April 2006.

Question 2

- (a) No, see answer to question 1(a) above. After receiving no objection from Mr. CM Leung, the LML management was informed accordingly. The adviser position was then included in my bio-data on LML's website on 1 April, 2005.
- (b) The adviser position did not have any executive functions and the question of potential conflict of interest did not arise until DB's disclosure on 7 December, 2005 that it had acquired units in The

Link REIT. The terms of reference of the Advisory Board were circulated at the Board meeting on 9 December 2005.

- (c) Yes. The adviser position was not involved in DB's day-to-day operations. DB was not involved in the then IPO process and it did not provide any services to HA or LML or The Link REIT.

Question 3

No. There was no question of withholding any information about the adviser position from Mr. CM Leung nor the LML Board. As explained above, the question of remuneration was not a relevant consideration as the adviser position was not involved in DB's day-to-day operations. DB was not involved in the then IPO process and it was not providing any services to HA or LML or The Link REIT.

Question 4

No. The question of the perception of potential conflict of interest arose only after DB's disclosure in early December 2005 that it had acquired units of The Link REIT on behalf of its clients and asset management business.

Question 5

- (a) Yes, but there are internal procedures to deal with any such potential situations, for example for the INED concerned to declare interest in the related matter, abstain or withdraw from discussion.
- (b) There was no conflict of interest. The adviser position was not involved in any discussions or decisions in relation to DB's day-to-day operations. DB issued a clarification press release on 9 December – copy at **Annex** – which confirmed that the acquisition of the units in The Link REIT was undertaken on behalf of its clients

and asset management business , and that such acquisition could not in any way have been influenced by, or known by, any adviser of DB, including myself. It is normal market practice that any trading activities would be carried out independently on behalf of clients and that confidentiality is strictly observed by the trading staff concerned.

- (c) See answers at 5(a) and (b) above.
- (d) A conflict of interest refers to a situation where the personal or financial interests of an individual board member compete or conflict with his fiduciary duties to act in the interests of The Link Management Limited or The Link REIT. If that situation is unavoidable, the member concerned must report it to enable that situation to be dealt with in accordance with established internal procedures, i.e. to declare interest, abstain or withdraw from discussion on the related matter.

Question 6

- (a) Mr. CM Leung was consulted about the adviser position as a matter of transparency, to see if he or the Administration would have any concerns.
- (b) After confirmation from Mr. CM Leung that there was no objection in accepting the adviser position and before accepting the appointment as Chairman, LML.

Question 7

No.

August 2006



For Immediate Release

Annex

Hong Kong, 9 December 2005

Statement in response to the recent media speculation on the role of Mr Paul Cheng as an advisor to Deutsche Bank:

Mr Paul Cheng was appointed a senior advisor to Deutsche Bank in April 2005. His role 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; and the Bank's charitable activities through the Deutsche Bank Asia Foundation.

Mr Cheng is the first external appointment to an Advisory Board being established by Deutsche Bank in Asia that will assist in formulating Deutsche Bank strategy in the region. In his capacity as a senior advisor to Deutsche Bank, Mr Cheng is not involved in any discussions or decisions in relation to the Bank's day to day trading activities.

The consolidated holding of various Deutsche Bank entities in Link REIT – which include positions held on behalf of clients and its asset management business - were routinely reported and could not in any way have been influenced by, or known by, any adviser of Deutsche Bank, including Mr Cheng.

For further information, please contact:

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About Deutsche Bank:

With Euro 972 billion in assets and approximately 63,700 employees, Deutsche Bank offers unparalleled financial services in 74 countries throughout the world. Deutsche Bank competes to be the leading global provider of financial solutions for demanding clients creating exceptional value for its shareholders and people.

Deutsche Bank ranks among the global leaders in investment banking, corporate banking and securities, transaction banking, asset management, and private wealth management, and has a significant private & business banking franchise in Germany and other selected countries in Continental Europe. In Asia Pacific, Deutsche Bank has over 45 offices in 17 financial markets with more than 6,500 staff. www.db.com