

The Link Management Limited 領匯管理有限公司

Manager of The Link REIT

Legislative Council Secretariat of Legislative Council,
3rd floor, Citibank Tower,
3 Garden Road, Hong Kong

Attn: Ms. Becky Yu
Clerk to Panel on Housing

22 September 2009

Dear Ms. YU,

**Panel on Housing
Special Meeting on 28 September 2009**

Thank you for your letter dated 11 September 2009 to our Chief Executive Officer inviting The Link Management Limited (The Link) to attend the captioned meeting to discuss issues concerning land leases and legal titles of retail and carpark (RC) facilities divested to The Link, as well as management fees of common areas in public rental housing estates.

Land Leases and Legal Titles of RC Facilities

As background, the Offering Circular for The Link REIT sets out that the 180 RC facilities acquired by The Link under the divestment exercise in 2005 were categorized as List 1 and List 2 properties. Specifically, the 80 properties identified under List 2 at that time were those within housing estates yet been procured with Government Lease but their control and management were held by the Hong Kong Housing Authority (HKHA) under a vesting order or a possession licence from the Government, as the case may be.

In the absence of relevant Government Lease, no legal titles of these List 2 properties could be transferred from HKHA to The Link at that juncture. Nevertheless, by virtue of the Government Agreement, possession of these 80 housing estates were deemed to

have been given to and taken by HKHA, who was granted the right, amongst others, to assign or dispose of any part or any interest of each Housing Estate as if the concerned Government Lease had been granted by the Government to HKHA at the date of the Agreement. In addition, the Government has also undertaken to grant full legal title in respect of all List 2 properties to HKHA as soon as reasonably practicable. In gist, The Link is the beneficial owner of all the 180 RC facilities, in addition to being the legal owner of those properties with legal titles formally transferred to The Link.

In addition, HKHA is obligated under the Sales and Purchase Agreement to assign the legal interest of List 2 Properties to The Link once the concerned Government Leases have been granted by the Government and when the relevant Deeds of Mutual Covenant (DMC) have been finalized.

According to the Offering Circular, the conveyance of legal titles of List 2 properties was to be completed by mid-2008. However, due mainly to changes in legal and regulatory requirements for the process of obtaining legal titles, HKHA advised that the completion of the whole assignment exercise will be re-scheduled to early 2010.

At present, 140 of the 180 RC facilities under The Link have been transferred with legal titles. So far, The Link has been working closely with HKHA and assisting proactively with a view to defining and completing estate-specific provisions under respective Government Leases and DMC. We will continue to uphold this principle with a view to completing the exercise as soon as practicable.

Management Fee of Common Areas in Housing Estates (ECA)

HKHA acts as the estate manager on behalf of itself and The Link for the common areas at 91 properties. Management fee of ECA is delineated in proportion to the management share stipulated in the DMC. As the largest retail landlord in Hong Kong, The Link honours this principle and the contractual spirit behind.

It is a common practice for responsible corporations to verify before arranging

payments. Given the number of properties involved, the verification procedure takes time. Unfortunately certain administrative delays were encountered in processing ECA management fee in the previous few months, payment for July 2009 for some concerned housing estates and for August 2009 for all concerned housing estates were delayed. Nevertheless, as of even date, The Link has settled all these payment without any arrears.

On behalf of The Link Management Limited and our Chief Executive Officer, we are pleased to attend the meeting to discuss the above issues and elaborate on our position further. We look forward to a constructive meeting discussion with Panel members that morning. Thank you.

Yours sincerely,



L K LAM

Director (Corporate Communications and Strategy)

c.c. Hon. WONG Kwok-hing, MH, Chairman of Panel on Housing
Secretary for Transport and Housing (Attn: Mr. LEE Sheung-yuen)