

MINISTERIAL STATEMENT BY PRIME MINISTER GOH CHOK TONG ON PURCHASE OF PROPERTIES BY SENIOR MINISTER AND DEPUTY PRIME MINISTER LEE HSIEN LOONG ON TUESDAY, 21 MAY 96, IN PARLIAMENT

Let me recount the steps to explain how the purchase of properties by SM and DPM became a public issue, and why we are debating the subject here.

2 I drafted this statement before reading reports of HPL Managing Director Ong Beng Seng's press conference yesterday. I have not altered my statement to take into account the additional information now available, as it was not known to me when I investigated Senior Minister's and DPM Lee's purchases. The additional information, however, confirmed my conclusion that there was no impropriety in SM's and DPM's purchases of units in Nassim Jade and Scotts 28.

3 On 21 Mar 96, after the Budget debate, Finance Minister Richard Hu saw me. The Deputy Managing Director of MAS, Koh Beng Seng, had reported to him that Hotel Properties Ltd (HPL) had sought and obtained waiver from the SES to seek shareholders' approval for Senior Minister's purchase of one unit in Scotts 28, and that there was market talk that SM had been offered units in all the property projects of the HPL group. The next day, I kept Tony Tan, Jayakumar and Wong Kan Seng, informed of the matter.

4 In my mind, I never doubted the integrity of SM. I have worked with him for 20 years. Over a long period, a person gets to know the thinking and, more important, the character of another man. He has given his whole life to build this country and the world knows us for our reputation for being clean.

5 But as Prime Minister, I had to verify the market talk to protect the reputation of the Government. If the market perception of impropriety was wrong, it had to be dispelled. If it was true, it had to be further pursued.

6 I instructed Richard Hu to ask SES to get HPL to provide the lists of purchasers of Nassim Jade and Scotts 28, the prices, and discounts given, if any. These were the two HPL developments then in the news. I also asked him whether SES had made an exception by granting SM a waiver from

seeking shareholders' approval to buy a unit in Scotts 28 as a sibling of a director.

7 MAS replied that it was normal for SES to give waivers to related parties with independent means. I learnt later that HPL applied for the waiver without SM's knowledge.

8 The lists showed that SM, and also DPM Lee, had indeed bought one unit each in Nassim Jade and Scotts 28. On 26 March, I queried DPM Lee about his properties in Nassim Jade and Scotts 28. There was no rule requiring Ministers to declare to me their purchases of properties at the time of purchase.

9 DPM was taken aback when I told him of public perception over his and SM's purchases of condominium units from HPL. He wrote to me immediately to declare the units he bought and the prices paid. Later, he found out the discounts he received, 12% for the Nassim Jade unit, and 5% for the Scotts 28 unit, and declared them.

10 On 28 March, after a Cabinet meeting, I discussed his purchases with Tony Tan, Jayakumar, Richard Hu and Wong Kan Seng, with DPM Lee present.

11 I will not go into the details of DPM Lee's explanation. He will do this himself later.

12 At that point, I had not spoken to SM yet because of his medical condition. I was troubled having to query him regarding his purchases because he had just undergone his second angioplasty to insert a stent into his blocked artery. He had just left the hospital and was recuperating at home. He was on several medications, including one to prevent any blood clots from forming. I was not comfortable about having to question him in that state.

13 I consulted Tony Tan, Jayakumar and Wong Kan Seng. They agreed that I had to query SM regarding his purchases, despite his medical condition, given the market rumour about his and DPM Lee's purchases.

14 I then wrote, on 29 March, to SM at home about his purchases. I also asked him to see me as soon as he could come to office. He replied the next day, giving salient information about his purchases. He came to my office on Monday, 1 April, to find out what it was about.

15 SM was perplexed that there should be questions on the propriety of his purchases. He was not angry, annoyed, or dismayed, just perplexed. I explained that there was public perception of impropriety and I had to satisfy myself that he and DPM Lee received no favours, since discounts were given on their purchases. He answered my questions readily, and explained the circumstances of his and Loong's purchases. We met a couple of times more, at the end of which he offered to have a Commission of Inquiry to look into his purchases, if I was still not satisfied with his explanation. He will make a statement later regarding his purchases.

16 I know SM. I also know Loong well. Loong has worked for me for more than 15 years. First, as a young officer in the SAF; later, as a colleague in Cabinet and now as my Deputy Prime Minister. I know his character and his integrity.

17 I believe SM's and DPM's accounts of how they came to buy their properties in Nassim Jade and Scotts 28. They were open, they answered my questions readily, and they were prepared to have their purchases scrutinised by the public.

18 In assessing the circumstances of SM's and DPM's purchases, I had the benefit of hindsight information provided by HPL on the prices paid by other buyers, and the discounts given to them. This information was not available to SM and DPM at the time they made the purchases.

19 SM and DPM were not the only ones to be given discounts. For Nassim Jade, HPL had offered the 7% discount and higher to 8 buyers, including SM and DPM Lee. This works out to about one-fifth (21%) of the total number of units in Nassim Jade. The 7% discount given to SM was not exceptional. The 12% discount given to DPM was, but DPM gave me an explanation which I accepted.

20 For Scotts 28, HPL offered the 5% discount to some 30 other buyers. This is also about one-fifth (22%) of the total number of units in Scotts 28. There was nothing exceptional in the discounts received by SM and DPM Lee.

21 I also checked how developers market their properties. I learnt that discounts for early buyers and in soft launches are standard practices. These discounts are part of developers' marketing strategy, a way to test out the market. Developers set a higher list price, and then offer discounts from this. Later, depending on the response from buyers, they either increase or decrease the discounts for the rest of the units. Towards the end of the project, developers also offer larger discounts on remnant units which prove unpopular.

22 I investigated SM's and DPM's purchases together with the Minister for Finance and Koh Beng Seng, Deputy Managing Director, MAS. Throughout, I kept Tony Tan, Jayakumar and Wong Kan Seng informed. Later, I discussed it in Cabinet.

23 CPIB had also received two anonymous letters of complaints on HPL's method of 'soft launch' of its properties. But as no corruption was alleged, it referred the letters to MAS.

24 MAS and SES had investigated HPL regarding its conduct over the sales of its properties to directors and related parties for possible wrongdoing. They found that HPL had not breached any laws or rules. But SES decided to criticise HPL for being late in seeking shareholders' approval of certain purchases by two of its directors and related parties. It issued a statement on 23 April. SES had no problem with HPL's handling of SM's and DPM's purchases. In these purchases SM was a related party, but DPM was not, so DPM's purchase did not have to be reported to SES at all.

25 After SES had issued its statement, SM and DPM decided to bring their purchases, and the discounts they received, into the open, to be scrutinised by the public. They issued a statement on 24 April, a day after the SES statement, stating their purchases and the discounts they had received.

26 SM's and DPM's statement caused quite a stir. The press asked for my reaction. On 26 April 96, I issued a statement that I was satisfied that there had been no impropriety on the part of SM and DPM Lee in their purchases of units in Nassim Jade and Scotts 28. I had reached that conclusion based on my investigation together with the Finance Minister and MAS, the accounts given by SM and DPM Lee, and my judgement of the men and the facts of the case. However, SM and DPM Lee asked me to arrange this debate so that they could publicly explain, and be questioned on the circumstances of their purchases. I agreed to this - to put the transactions of SM and DPM Lee, as well as my judgement on them, to public scrutiny.

27 DPM will now present his account.
