

*The following summary is derived from, and should be read in conjunction with, the full text of this Offering Circular.*

*Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions and are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Joint Global Coordinators, the Manager, The Link REIT, the Trustee or any person involved in the Global Offering or that these results will be achieved or are likely to be achieved.*

*Capitalised terms not defined in this summary are defined in the section headed "Definitions" on pages 282 to 295 of this Offering Circular.*

*In this Offering Circular, the most up to date operational data in respect of the RC Operations has been provided as at the most recent date practicable for ascertaining such data. Unless otherwise specified, in relation to the Retail Operations and the Carpark Operations, this date is 31 July 2005.*

*An investment in the Units involves risks. Investors' attention is drawn to the section headed "Risk Factors" in this Offering Circular.*

## **A REIT as an Investment Vehicle**

A REIT is a collective investment scheme constituted as a unit trust that invests primarily in income-producing real estate assets and uses the income to provide returns to its unitholders. Purchasing a unit in a REIT allows investors to share the benefits and risks of owning the real estate assets held by the REIT. An investment in the units of a REIT in Hong Kong is governed primarily by the REIT Code and offers the following benefits:

- certainty as to business focus, as a REIT does not have the discretion to diversify outside the real estate sector or to own significant non-real estate assets;
- a distribution which is required by the REIT Code to be at least 90% of the REIT's audited net income after tax for each financial year (supplemented, in the case of The Link REIT as stated below, by a policy to distribute an amount equivalent to 100% of Total Distributable Income for each financial year, which may result in a distribution which is higher or lower than the audited net income after tax);
- significantly enhanced liquidity in comparison with direct investments in real estate;
- a manager licensed and regulated on an ongoing basis by the SFC; and
- a statutory and regulatory corporate governance framework and an internal corporate governance framework overseen by an independent trustee.

Based on the Government's review of its public housing policy, it was recommended that HKHA should progressively divest its non-core retail and carpark assets. Pursuant to this objective, HKHA agreed to divest the Properties through an initial public offering of units in a REIT, namely The Link REIT.

## **Objectives of The Link REIT**

Upon completion of the Global Offering, The Link REIT will initially invest in retail and carpark real estate in Hong Kong with the aim of providing returns to Unitholders derived from the income thereof.

The Manager's key objective for The Link REIT is to provide Unitholders with stable distributions per Unit with the potential for sustainable long-term growth of such distributions. The Manager intends to accomplish this objective by optimising the performance and enhancing the overall quality of a large and geographically diversified portfolio of real estate assets in Hong Kong through various investment and business strategies.

Paragraph 7 of the Listing Agreement entered into pursuant to the Listing Rules provides that the Trustee and the Manager (as an operator of a collective investment scheme) undertake, so far as it lies within their respective powers, to procure that the investment policy of The Link REIT, as stated in this Offering Circular will be adhered to for three years from the date of this Offering Circular, unless otherwise exempted or approved by the SFC.

### **Acquisition Arrangements**

Pursuant to the Acquisition Agreements, upon completion of the Global Offering, The Link REIT will use the proceeds of the Global Offering (see the section headed “Use of Proceeds” in this Offering Circular) to acquire the Properties from HKHA (see the sections headed “Terms of Acquisition” and “Material Contracts and Other Documents and Information” in this Offering Circular). The purchase consideration payable to HKHA for the Properties is an amount equal to the proceeds from the Global Offering plus the Consideration Units, if any, for the benefit of HKHA to the extent the Over-allotment Option<sup>(1)</sup> is not exercised, plus an amount of approximately HK\$12.2 billion to be funded by the Loan Facility. See the section headed “Use of Proceeds” in this Offering Circular for further details.

Pursuant to the Acquisition Arrangements, the entire issued share capital of the Manager will be owned by the Trustee on trust for The Link REIT and held for the benefit of Unitholders.

### **The Properties**

Following The Link REIT’s acquisition of the Properties, it will hold Hong Kong’s largest portfolio of retail properties held by a single owner in terms of IFA. As at the date hereof, the portfolio comprises 180 properties, of which 149 are integrated retail and carpark facilities, two are standalone retail facilities and 29 are standalone carpark facilities. The Link REIT’s initial portfolio will comprise retail facilities that the Manager believes serve the daily needs of both the residents of the Adjacent Housing Estates (which house approximately 40% of Hong Kong’s population) and other visitors, and carparks that serve the tenants and customers of such retail facilities, the residents of the surrounding neighbourhoods and other visitors.

As at 31 July 2005, the portfolio had an IFA of approximately 960,000 sq.m. of retail space, estimated to account for 9.1% of Hong Kong’s total retail space (based on the latest annual property review published in 2005 by the Rating and Valuation Department of the Government and information supplied by the Housing Society<sup>(2)</sup> and HKHA). The Independent Property Valuer has adopted an IFA of approximately 1,001,400 sq.m. (see the summary of the Valuation Reports in Appendix IV to this Offering Circular). Both these IFAs have been calculated on the same basis. However, the Independent Property Valuer has included in the calculation of its IFA certain additional retail areas, such as office space to be leased back to HKHA pursuant to the Leaseback and Licence Agreement, which were not previously available for commercial letting purposes.

The average occupancy rate of the Retail Facilities as at 31 July 2005 was 91.4%. The Retail Facilities benefit from a diverse tenant base comprising approximately 9,200 individual Leases. The 10 largest tenants (in terms of monthly base rent) accounted for 34.8% of the total monthly base rent from the Retail Facilities for July 2005. Income from the largest tenant of the Retail Facilities, The Dairy Farm Company Limited, which trades through 187 outlets under the trading names of Mannings, Wellcome and 7-Eleven, accounted for 10.5% of the total monthly base rent of the Retail Facilities for July 2005.

As at 31 July 2005, the portfolio had around 79,000 carpark spaces. Based on information available at 30 September 2003, the portfolio had carpark spaces which were estimated to account for 13.7% of Hong Kong’s total commercial carpark spaces<sup>(3)</sup>. As at 31 July 2005, 86.6% of total spaces at

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(1) To the extent the Over-allotment Option is exercised, additional Units will be included in the Global Offering with the result that: (i) the number of Consideration Units to be issued to (and retained by) HKHA will be reduced correspondingly; and (ii) HKHA will instead be entitled to further cash consideration equivalent to the proceeds from the exercise of the Over-allotment Option. (See the section headed “Terms of Acquisition — Consideration Units and Over-allotment Option” in this Offering Circular.)

(2) Source: Information on public retail space provided by the Housing Society in November 2004.

(3) Source: Environment, Works and Transport Bureau — Based on a total of 78,330 carpark spaces within the portfolio and a total of 570,600 parking spaces available for private cars, goods vehicles, motorcycles, and coaches in each case as at 30 September 2003.

the Carpark Facilities were allocated for monthly usage while the remaining 13.4% were allocated for hourly usage. The utilisation rate for the Carpark Facilities, calculated as a percentage of total monthly tickets sold out of the total number of monthly parking spaces available (without taking into account hourly parking for which utilisation rates cannot be calculated on a comparable basis) was 72.9% as at 31 July 2005.

The parking spaces within the Properties comprise parking spaces for cars, lorries and motor cycles. All such parking spaces are referred to as carparking spaces throughout this Offering Circular.

For the year ended 31 March 2005, the RC Operations generated HK\$3,696 million in total revenues, 68.3% of which comprised rental income from the Retail Operations and 25.4% comprised gross receipts from the Carpark Operations. The remaining 6.3% of total revenues was attributable to other revenues, principally air conditioning fees charged to tenants.

### Geographic Spread

The map inside the front cover of this Offering Circular illustrates the geographical spread of the Properties.

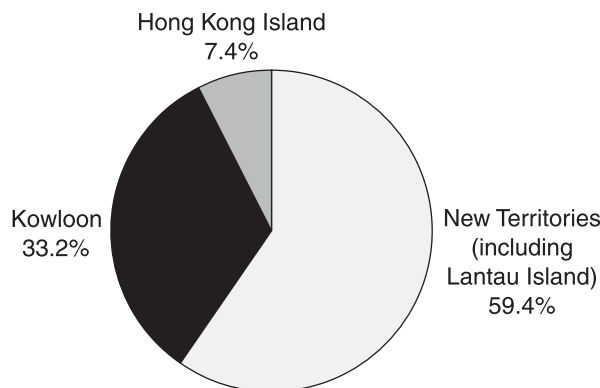
### Characteristics of the Properties

The Properties are located within Housing Estates, which are spread across Hong Kong Island, Kowloon and the New Territories (including Lantau Island). The tenants of the Properties generally focus on sales of essential consumer goods and services, and primarily target consumers within the Adjacent Housing Estates. On this basis, the Manager believes that the businesses of the tenants and the requirements of the carpark users, and accordingly the operations of the Properties, have generally been less exposed to economic fluctuations and market volatilities than those of retail establishments catering to non-essential spending or to tourists. See the letter from the Market Consultant in relation to its retail and carpark markets macro analysis report in Appendix IX to this Offering Circular.

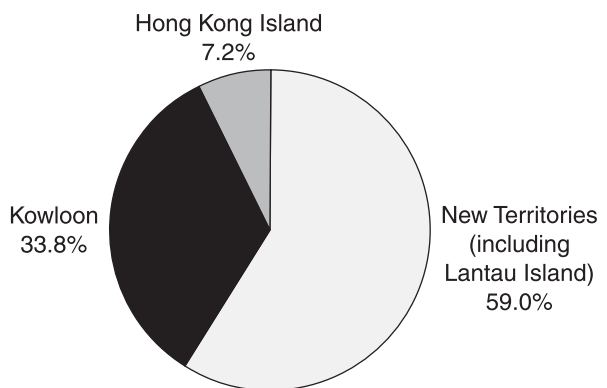
### Retail Facilities

Of the 151 Retail Facilities, 86 are located in the New Territories (including Lantau Island), 50 are located in Kowloon and 15 are located on Hong Kong Island. As illustrated by the charts below, the Retail Facilities located in the New Territories (including Lantau Island), Kowloon and on Hong Kong Island accounted for 59.4%, 33.2% and 7.4%, respectively, of the IFA of the Retail Facilities as at 31 July 2005, and 59.0%, 33.8% and 7.2%, respectively, of the total annualised rental income of the Retail Facilities, based on the monthly base rent for July 2005<sup>(1)</sup>.

**Breakdown by IFA**



**Breakdown by rental income**

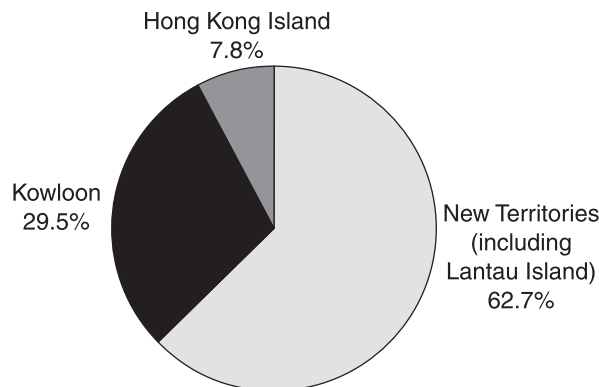


(1) Annualised rental income is determined by multiplying the monthly base rent for July 2005 by 12. The monthly base rent figure for July 2005 does not take into account rent relief given to tenants due to slow population intake at certain Housing Estates. After adjusting for such rent relief, the total annualised rental income would be reduced from approximately HK\$2,622 million to approximately HK\$2,557 million. However, the rent relief given to tenants expired for two of the Housing Estates on 31 July 2005 and for another Housing Estate on 15 September 2005. Using the full base rent figure (without rent relief) to calculate the annualised rental income for these three Housing Estates, the total annualised rental income would be approximately HK\$2,619 million. See the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Circular for further details of the rent relief scheme.

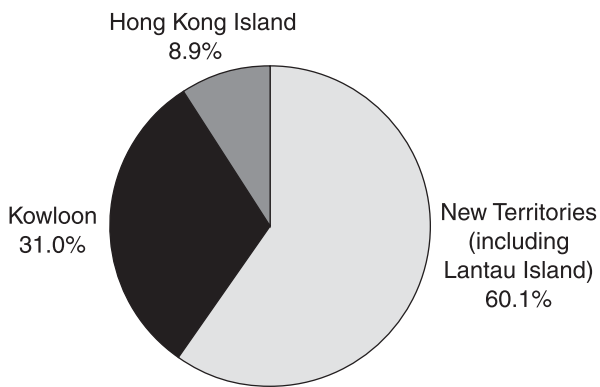
## Carpark Facilities

Of the 178 Carpark Facilities, 101 are located in the New Territories (including Lantau Island), 61 are located in Kowloon and 16 are located on Hong Kong Island. As illustrated by the charts below, the Carpark Facilities located in the New Territories (including Lantau Island), Kowloon and on Hong Kong Island accounted for 62.7%, 29.5% and 7.8%, respectively, of the Carpark Facilities' total carpark spaces as at 31 March 2005, and 60.1%, 31.0% and 8.9%, respectively, of the gross receipts from the Carpark Facilities for the year ended 31 March 2005.

**Breakdown by number of carpark spaces**



**Breakdown by gross receipts**



## Key Investment Highlights

The Manager believes that an investment in The Link REIT presents Unitholders with an attractive investment proposition by virtue of:

- A policy to distribute to Unitholders dividends in an amount equal to 100% of The Link REIT's Total Distributable Income for each financial year as more fully described in the section headed "Distribution Policy" in this Offering Circular:
  - Unitholders will be paid, in the absence of unforeseen circumstances, total distributions per Unit of not less than HK\$0.1983 in respect of the period from 25 November 2005 to 31 March 2006, irrespective of the profit achieved by The Link REIT for that period, representing an annualised distribution yield of 5.53% based on the Maximum Offer Price (excluding other transaction costs) or 5.83% based on the Discounted Maximum Offer Price (excluding other transaction costs);
  - Unitholders will be paid, in the absence of unforeseen circumstances, total distributions per Unit of not less than HK\$0.6176 in respect of the financial year ending 31 March 2007, irrespective of the profit achieved by The Link REIT for that year, representing a distribution yield of 6.00% based on the Maximum Offer Price (excluding other transaction costs) or 6.31% based on the Discounted Maximum Offer Price (excluding other transaction costs).

See the section headed "Statements of Distribution" in this Offering Circular for further details; and

- furthermore, ownership of the Manager by The Link REIT mitigates value leakage.
- Exposure to a large and diversified portfolio of sustainable-income producing properties in Hong Kong which:
  - serve the daily needs of the residents of the Adjacent Housing Estates, the surrounding neighbourhoods and other visitors;
  - are integrated with the Adjacent Housing Estates, providing a competitive advantage and strong barriers to entry;

- benefit from a diverse tenant base comprising approximately 9,200 individual Leases; and
- are situated throughout Hong Kong.
- The Manager's key objective for The Link REIT is to provide Unitholders with stable distributions per Unit, with the potential for sustainable long-term growth of such distributions, by optimising the performance and enhancing the overall quality of a large and geographically diversified portfolio of assets in Hong Kong through implementing various investment and business strategies, including:
  - focusing on sustainable-income producing properties with the potential for long-term income and capital growth;
  - proactively managing and leasing properties;
  - enhancing its fund and asset management expertise;
  - increasing returns through asset enhancement;
  - expanding The Link REIT's portfolio through selective acquisitions; and
  - optimising The Link REIT's capital structure.
- The potential benefit that the Properties may derive from Hong Kong's economic recovery, with:
  - forecast GDP growth of 4.6% in 2005 and 4.5% in 2006<sup>(1)</sup>;
  - captured retail market for Hong Kong forecast to grow from HK\$331 billion in 2004 to HK\$571 billion in 2014<sup>(2)</sup>; and
  - average retail rents for Hong Kong forecast to grow from HK\$843 per sq.m. per month in 2005 to HK\$1,392 per sq.m. per month in 2014<sup>(3)</sup>.
- The Manager's experienced and professional team, which:
  - has extensive experience in the Hong Kong retail property market and in managing properties; and
  - is incentivised to add value through a remuneration structure which includes a performance-linked element, based on the individual performance of the relevant Directors or officers of the Manager and/or of The Link REIT.

See the section headed "Management and Employees of the Manager — Compensation of the Chief Executive Officer and the Manager's Senior Officers" in this Offering Circular for further details.

- Asset and fund management expertise from the Strategic Partner, as a result of:
  - the Strategic Partner's expertise in managing a retail REIT in the Asia Pacific region; and
  - an alignment of the Strategic Partner's interests with those of The Link REIT through the Strategic Partner's investment of up to US\$180 million in The Link REIT and a fee structure linked to growth in distributable income per Unit.
- A regulatory structure which requires The Link REIT:
  - to invest primarily in real estate, with the aim of providing returns to Unitholders derived from the rental income from such real estate;

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(1) Source: Consensus Economics Inc. (London), April 2005.

(2) Source: Savills Retail Macro Analysis; captured retail market includes retail sales from households, the non-household sector and tourists.

(3) Source: Savills Retail Macro Analysis, Hong Kong Rating and Valuation Department.

- to distribute at least 90% of audited net income after tax for each financial year (see the section headed “Distribution Policy” in this Offering Circular for further details);
  - to maintain a prudent capital structure with a ratio of aggregate borrowings to total gross assets not exceeding 45%;
  - not to trade actively in real estate; and
  - not to invest in vacant land or, subject to limited exceptions, engage in property development.
- A framework of independent oversight through an independent trustee charged with protecting the rights and interests of Unitholders and a manager, the majority of whose board comprises independent non-executive directors.

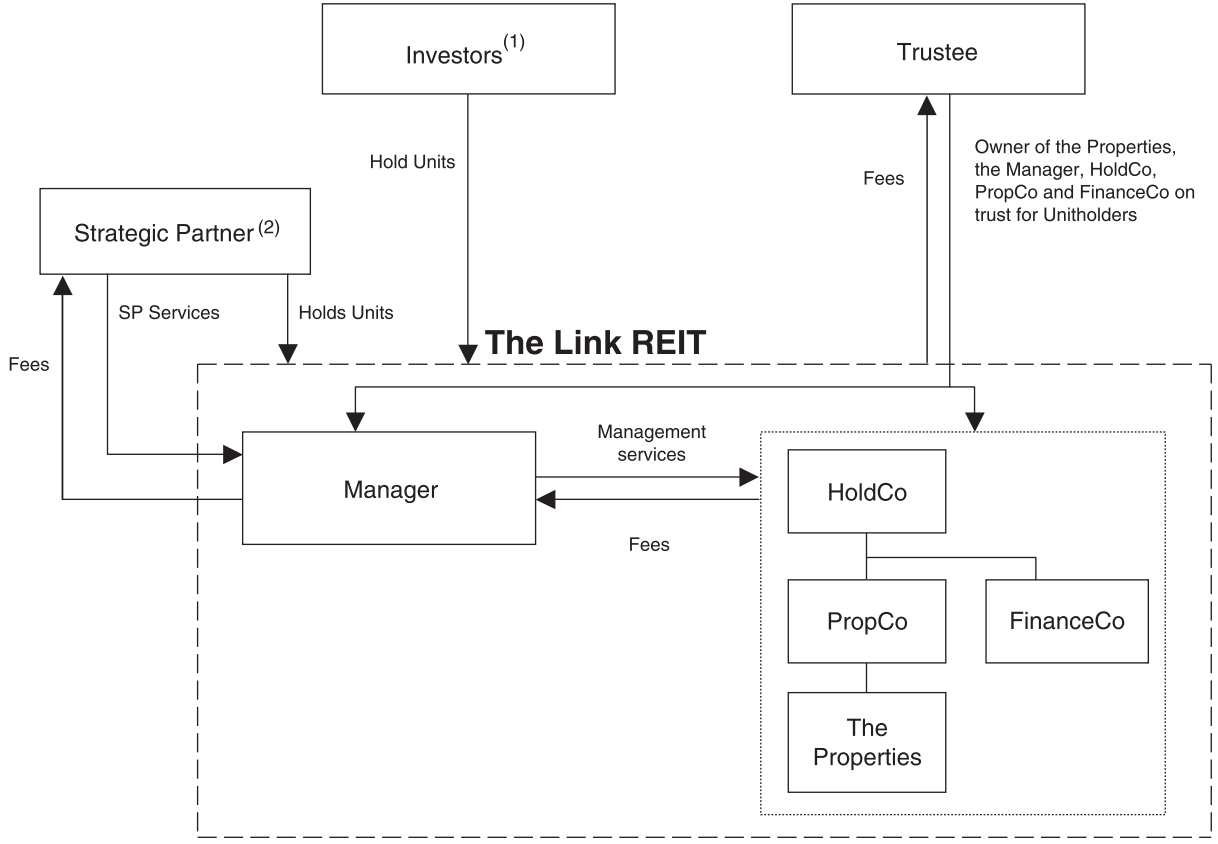
See also the sections headed “The Properties and Business”, “Strategy” and “Corporate Governance” in this Offering Circular for further details of these key investment highlights.

### **Valuation**

The Properties have been valued by CB Richard Ellis Limited, the Independent Property Valuer. As at 30 September 2005, the aggregate market values of the Retail Facilities and the Carpark Facilities were HK\$27,257 million and HK\$6,545 million, respectively. These valuations are estimates made by the Independent Property Valuer in accordance with the “Hong Kong Institute of Surveyors Valuation Standard on Properties (First Edition 2005)” published by the Hong Kong Institute of Surveyors and the international definition of market value as advocated by the Royal Institute of Chartered Surveyors. The valuations were primarily based on both discounted cash flow and capitalisation of rentals. In arriving at its valuations, the Independent Property Valuer has also considered recent sales and leasing transactions of comparable properties that have occurred in the retail property and carpark markets in Hong Kong. For further details of the valuations of the Properties, see the summary of the Valuation Reports in Appendix IV to this Offering Circular.

Overview of The Link REIT Structure

The following schematic illustrates the primary structural and contractual relationships which will exist between The Link REIT, the Manager and other parties upon completion of the Global Offering:



- Notes:
- (1) Investors include successful applicants under the Hong Kong Public Offering and the International Offering. HKHA may hold Consideration Units to be issued under the Share Purchase Agreement. To the extent that the Over-allotment Option is exercised, such Consideration Units will be included in the Global Offering with the result that: (i) the number of Consideration Units to be issued to (and retained by) HKHA will be reduced correspondingly; and (ii) HKHA will instead be entitled to further cash consideration equivalent to the proceeds from the Over-allotment Option. See the section headed “Terms of Acquisition” in this Offering Circular.
  - (2) The Strategic Partner will provide the SP Services and subscribe for Units under the Co-operation Agreement. See the section headed “Material Contracts and Other Documents and Information” in this Offering Circular.

The Divestment

HKHA currently owns the entire issued share capital of the Manager, HoldCo and PropCo, and HoldCo currently owns the entire issued share capital of FinanceCo. Upon completion of the Global Offering, and pursuant to the Acquisition Arrangements, the entire issued share capital of the Manager and HoldCo will be owned by the Trustee on trust for The Link REIT, and held for the benefit of Unitholders. Upon completion of the Global Offering, HoldCo will be the holding company of PropCo, which will in turn be the owner of the Properties.

Upon completion of the Global Offering, The Link REIT (through PropCo) will be the beneficial owner of all of the Properties. The Properties are categorised into “List 1 Properties” and “List 2 Properties”, based on the nature of HKHA’s interest over the Properties. List 1 Properties are properties within Housing Estates which are held by HKHA under existing Government Leases. List 2 Properties are properties within Housing Estates which HKHA does not currently have title to, but the control and management of which have been vested in HKHA under vesting orders pursuant to section 5 of the Housing Ordinance (save for one property which is held by HKHA under a possession licence from the Government).



The Property Agreement provides for the acquisition of the List 1 Properties and the List 2 Properties by PropCo and broadly categorises the Properties as follows:

- (i) 76 List 1 Properties where HKHA has conditionally agreed to transfer legal and beneficial ownership to PropCo upon Principal Completion;
- (ii) 24 List 1 Properties where HKHA has conditionally agreed to transfer beneficial ownership to PropCo upon Principal Completion; and
- (iii) 80 List 2 Properties where HKHA has conditionally agreed to transfer beneficial ownership to PropCo upon Principal Completion.

Principal Completion is expected to occur immediately following receipt of the proceeds of the Global Offering by the Trustee on the Listing Date. At Principal Completion, PropCo will assume the risks and rewards associated with the ownership of all the Properties.

Under the Property Agreement, HKHA has also agreed to transfer to PropCo legal title to the 24 List 1 Properties for which such title will not be transferred at Principal Completion once certain technicalities affecting the transfer of these legal titles have been addressed. It is intended that this process will be completed by: (i) the end of December 2005 for 10 of the List 1 Properties; and (ii) the first quarter of 2006 for the remaining 14 List 1 Properties.

Furthermore, under the Property Agreement, HKHA has also agreed to procure that legal title to the Housing Estates within which the List 2 Properties are situated is granted to it by the Government pursuant to the Government Agreement as soon as reasonably practicable so that legal title to the List 2 Properties can then be transferred from HKHA to PropCo and the relevant deeds of mutual covenant (based on forms substantially agreed with the Lands Department) can be completed accordingly.

For further details of the arrangements constituting the Divestment, see the sections headed “Background to the Divestment”, “Terms of Acquisition” and “Material Contracts and Other Documents and Information” in this Offering Circular.

### **The Manager**

The Manager, The Link Management Limited, was incorporated in Hong Kong under the Companies Ordinance on 20 February 2004. The Manager is licensed by the SFC to conduct the regulated activity of asset management. The Manager is responsible for The Link REIT’s investment and financing strategies, asset enhancement, acquisition and disposal policies and overall management of the Properties. Upon completion of the Share Purchase Agreement, the Trustee will be the owner of the Manager, which will be held by the Trustee on trust for the benefit of Unitholders, as part of The Link REIT’s assets. See the section headed “Operations of the Manager” in this Offering Circular for further details about the Manager.

Generally, the Manager will perform or be responsible for the provision of, among other things, the following management services to The Link REIT:

- formulating the investment strategy and policy of The Link REIT;
- managing the financial arrangements, borrowing limits and cash-flows, and the associated risks, of The Link REIT;
- formulating and implementing leasing strategies, managing tenants and dealing with tenancy administration and related matters;
- formulating and implementing policies and programmes in respect of building management, maintenance and improvement (including routine management services);
- arranging adequate property insurance and public liability insurance;
- evaluating and implementing investments in real estate that meet the investment objectives of The Link REIT; and
- monitoring compliance by The Link REIT with applicable laws, rules, codes and other Government regulations and guidelines.



## **Operations of the Manager**

To facilitate the management of the Properties, the Manager has divided the Properties into eight Districts. As of 1 March 2005, the Manager (currently a wholly-owned subsidiary of HKHA) has undertaken the management of the Properties under the direction of HKHA and in line with HKHA's existing policies and practices. The Manager has also been acting as the leasing agent of HKHA in respect of all new lettings to be entered into and tenancy renewals that fall due in respect of the Properties on or after 1 May 2005. These arrangements were formalised on 30 May 2005 when the Manager and HKHA entered into the Management Agreement and the Leasing Services Agreement, which are deemed to take effect from 1 March 2005 and 1 May 2005, respectively. Both of these agreements will terminate when the Manager ceases to be a wholly-owned subsidiary of HKHA.

In addition, at or prior to completion of the Share Purchase Agreement, the Manager, PropCo and HKHA will enter into the Service Level Agreement which will serve as a short-term support services agreement, under which HKHA will provide the Manager and PropCo with certain operational support for an initial period of up to six months after the Listing Date.

As at the Latest Practicable Date, the Manager had 272 employees.

For further details, see the sections headed "Operations of the Manager" and "Background to the Divestment" in this Offering Circular.

## **Objective and Strategies**

The Manager's key objective for The Link REIT is to provide Unitholders with stable distributions per Unit with the potential for sustainable long-term growth of such distributions. The Manager intends to accomplish this objective through optimising the performance and enhancing the overall quality of a large and geographically diversified portfolio of assets in Hong Kong through various investment and business strategies.

### ***Investment Strategy***

The Manager's investment strategy for The Link REIT is to invest in sustainable-income producing properties in Hong Kong which are substantially used for retail and carpark purposes.

In pursuing its investment strategy, the Manager will adhere to the following guidelines:

- invest in properties for the long term;
- focus on sustainable-income producing properties with the potential for long-term income and capital growth; and
- maintain a large and geographically diversified portfolio of:
  - convenience-based retail properties primarily serving the basic consumer needs of the residents of the Adjacent Housing Estates and other visitors; and
  - carparks serving the tenants and customers of the retail properties, the residents of the surrounding neighbourhoods and other visitors.

### ***Business Strategies***

In pursuing its objectives, the Manager will follow a set of key business strategies. These business strategies can be broadly categorised into operational enhancements and strategic initiatives as summarised below:

- *Operational enhancements:*
  - pro-actively managing and leasing properties; and
  - enhancing its fund and asset management expertise.
- *Strategic initiatives:*
  - increasing returns through asset enhancement;

- expanding The Link REIT's portfolio through selective acquisitions; and
- optimising The Link REIT's capital structure.

For further details, see the section headed "Strategy" in this Offering Circular.

## **Corporate Governance**

Detailed corporate governance policies and procedures have been put in place to promote the operation of The Link REIT in a transparent manner and with built-in checks and balances. The Trustee and the Manager are functionally independent of each other, with their respective roles in relation to The Link REIT set out in the REIT Code and the Trust Deed. The Manager is required by the REIT Code to act in the best interests of the Unitholders, to whom the Trustee also owes fiduciary duties.

The Board comprises 12 members, nine of whom are independent non-executive Directors. The Board has also established various committees to assist it in discharging its responsibilities and which operate under clear terms of reference.

Policies and procedures have been established for, among other things, monitoring and supervising dealings in Units by Directors and senior executives of the Manager. For further details, see the section headed "Corporate Governance" in this Offering Circular.

## **The Trustee**

The trustee of The Link REIT is HSBC Institutional Trust Services (Asia) Limited, a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited. The Trustee is a company incorporated in Hong Kong and registered as a trust company under section 77 of the Trustee Ordinance. The Trustee is qualified to act as a trustee for authorised collective investment schemes authorised under the SFO pursuant to the REIT Code. As at the Latest Practicable Date, the Trustee had a paid-up share capital of HK\$50,000,000.

For details of the Trustee's obligations under the Trust Deed and the REIT Code, see the section headed "The Trust Deed" in this Offering Circular.

## **The Strategic Partner — CapitaLand Limited<sup>(1)</sup>**

The Strategic Partner has been engaged by the Manager to provide the SP Services to the Manager as and when required for a five-year period commencing on 27 August 2004. The fee structure for the SP Services includes a variable component linked to growth in Total Distributable Income per Unit. In addition, the Strategic Partner will be paid an amount equal to the costs and expenses reasonably incurred by the Strategic Partner in the performance of its duties and obligations under the Co-operation Agreement. The Manager has the right to extend the initial five-year period for a further five years with such alterations to, or variation of, the terms of the agreement as may be agreed with the Strategic Partner.

The Strategic Partner's interests will be aligned with those of The Link REIT through a subscription by the Strategic Partner, pursuant to the Global Offering, for such number of Units at the Offer Price (without taking into account brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005%, SFC transaction levy of 0.005% and investor compensation levy of 0.002%) as can be acquired with the HK\$ equivalent of US\$180 million, or such lower amount (being not less than US\$120 million) as may be determined by the Manager (based on a US\$/HK\$ exchange rate of 1:7.8).

The ongoing SP Services to be provided by the Strategic Partner to the Manager include:

- consultancy services through the provision of management advisory services, training and the transfer of knowledge; and

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(1) All references to US\$ figures in this section, unless otherwise stated, are based on an exchange rate of US\$/S\$ of 1:1.6913 as at 30 September 2005.

- other services, including the provision of advice concerning issues related to fund and portfolio management, asset and property management, corporate governance, internal control procedures, capital structure management, accounting and treasury, risk management, fund administration, investor relations and information technology.

The Strategic Partner is one of the largest listed property companies in Asia by market capitalisation<sup>(1)</sup>. Headquartered in Singapore, the multinational company's core businesses in property, hospitality and real estate financial services span more than 70 cities around the world<sup>(1)</sup>, including key cities in Asia, Australia and Europe. The Strategic Partner, together with its group companies, had total assets of US\$9.7 billion as at 30 June 2005, and is listed on the Singapore Exchange Limited with a market capitalisation of approximately US\$5.1 billion as at 30 September 2005.

The Strategic Partner manages property funds invested in retail, residential, office and other properties in Asia including Singapore, Malaysia, Thailand, Japan and China. As at 30 June 2005, assets under management in these funds exceeded US\$3.8 billion. These funds include two REITs listed on the Singapore Exchange Limited. CapitaMall Trust, the pioneer REIT in Singapore, focuses on retail properties with approximately US\$1.6 billion in total assets as at 30 September 2005. CapitaCommercial Trust is a commercial property REIT with around US\$1.3 billion in total assets as at 30 September 2005.

The Strategic Partner is subject to certain restrictive covenants as set out in the Co-operation Agreement. For further details of the Strategic Partner and the Co-operation Agreement, see the section headed "Material Contracts and Other Documents and Information" in this Offering Circular.

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(1) As at 30 September 2005.

## The Manager's Discussion and Analysis of Future Operations

*With the transfer of the Properties to The Link REIT, the method of management of the Properties, the operational processes of the Manager and accounting policies of the RC Operations are expected to differ from those followed by HKHA, as HKHA generally has not managed the RC Operations in line with private sector market practice. As such, these changes are expected to affect the future financial results of The Link REIT.*

*The historical Audited Financial Statements prepared for the purpose of the Divestment, and on the basis set out in Note 1 to the Audited Financial Statements of the RC Operations, have been prepared by HKHA and discussion and analysis of financial conditions are set out herein for the purpose of providing investors with an indication of the past performance of the RC Operations whilst managed under HKHA. Such information, however, should not be relied upon as an indication of the future performance of the RC Operations as operated under the Manager. In addition, the basis of presentation for The Link REIT's financial information may also differ from the manner in which the Audited Financial Statements are currently presented.*

*Set forth below are details of the manner in which the Manager believes certain key profit and loss items of the RC Operations may be impacted as a result of the Divestment. See the sections headed "Manager's Discussion and Analysis of Future Operations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Circular for further details.*

### Revenue

HKHA is a statutory body responsible for the provision of public housing and other related services to the public in Hong Kong. Accordingly, the operation of HKHA's retail and carpark facilities has been influenced from time to time by Government and public policies. In particular, the rental and carpark rates, tenant trade mix and the incurrence of certain costs by HKHA may not always have been in line with private sector market practice as a result of being influenced by public policy and socio-economic considerations. These policies and considerations will not apply to the operations of the Properties following the Listing Date, save for certain limited commitments that PropCo has agreed with HKHA to continue to honour for certain periods of time, including the fitting of new air-conditioning systems in certain market stalls (at HKHA's expense, subject to an agreed cap), the charging of concessionary rent and the adoption of tender procedures for certain types of lettings, the deferring of annual reviews of carparking charges until after the Listing Date (or, where special circumstances warrant a review, such earlier date as HKHA and PropCo may agree in writing) and the sharing of management and maintenance expenses for estate common areas in various HOS Courts on certain split ratios. Please refer to the paragraphs headed "Property Agreement" and "Policies Side Letter" in the section headed "Material Contracts and Other Documents and Information" in this Offering Circular for further details of such continuing commitments.

Going forward, the Manager intends to adopt a market-oriented approach with regards to setting rents, based on normal commercial considerations. In addition, the Manager intends to implement various initiatives aimed at improving the overall commercial attractiveness of shopper traffic and tenants' sales at the Properties, which will in turn enhance their rental potential.

Following the Listing Date, the Manager will consider adjusting the carpark charges on a more frequent basis in response to dynamic market conditions. The Manager will also consider setting carpark charges on an individual carpark basis, rather than uniformly across and within districts, reflecting area-specific demand and supply characteristics.

See the section headed "Strategy" in this Offering Circular for further details.

### Existing Expense Items

Historically, staff costs were the largest cost item of the profit and loss statement of the RC Operations. As at 31 March 2005, the Manager had approximately 235 employees. In addition, as at

that date, approximately 430 employees of the CPSD were involved in the management of the Properties. For the year ended 31 March 2005, total staff costs (including the Manager's staff costs) were HK\$318 million. Since 1 March 2005, the Properties have been managed by the Manager under the direction of HKHA pursuant to the Management Agreement. The Manager and PropCo will also enter into, at or prior to completion of the Share Purchase Agreement, the Service Level Agreement with HKHA for the provision of certain operational support services from HKHA for an initial period of up to six months after the Listing Date. As part of the Service Level Agreement, HKHA will administer the contracts in respect of the provision of property management services for the Properties with external property managers under its existing contracts, with the Manager supervising and directing the activities of such external property managers in so far as they relate to the Properties. In consideration of the services provided under the Service Level Agreement, HKHA will be paid an amount calculated on a full cost recovery basis. HKHA will also be reimbursed for any expenses incurred by it in connection with the services provided under the Service Level Agreement. See the section headed "The Properties and Business — Business — Property Management Arrangements" in this Offering Circular for further details of the services provided by such external property managers.

It is intended that, with effect from the middle of 2006, the Manager and/or PropCo will start to enter into new contracts directly with the selected PMAs and the Carpark Operators or with other service providers selected at the time. Over time, the Manager intends to consolidate the number of external property managers from the current number of 49, which should allow for more effective supervision of such managers, achieve greater economies of scale and ensure that a more consistent level of service will be provided. See the section headed "Operations of the Manager" in this Offering Circular for further details.

In addition, HKHA has not always managed the RC Operations in line with private sector market practice, as it has had to take into account public policies and socio-economic considerations. This resulted in certain additional security, cleansing and maintenance costs being incurred by HKHA in relation to the RC Operations. Such policies and considerations will no longer apply to the operations of the Properties following the Listing Date, save for certain limited commitments that the Manager has agreed with HKHA to continue to honour for certain periods of time. For further details, see the section headed "Material Contracts and Other Documents and Information — Agreements Relating to the Acquisition of the Properties — Policies Side Letter" in this Offering Circular.

## Summary Historical Financial Information

*The summary historical financial information for the Relevant Periods presented below is derived from and should be read in conjunction with the Audited Financial Statements set out in Appendix I to this Offering Circular. The Audited Financial Statements, prepared for the purpose of the Divestment and on the basis as set out in note 1 to the Audited Financial Statements, have been prepared in accordance with HKFRS. For the purpose of the Divestment and the listing of The Link REIT, the Audited Financial Statements have been prepared by HKHA to present the combined results and statements of cash flows of the RC Operations for the Relevant Periods and the combined financial position of the RC Operations as at 31 March 2003, 2004 and 2005 and 31 July 2005. Further details of the basis of presentation are set out in section II (1) of the Audited Financial Statements included in Appendix I to this Offering Circular.*

## Income Statements of the RC Operations

	Year ended 31 March			Four months ended 31 July	
	2003	2004	2005	2004	2005
	As restated HK\$'M	As restated HK\$'M	HK\$'M	As restated HK\$'M	HK\$'M
<b>Revenues</b>					
Rental income from Retail Operations . . . . .	2,491	2,291	2,525	820	857
Gross receipts from Carpark Operations . . . . .	1,012	946	938	312	289
Other revenues . . . . .	266	261	233	77	76
	<u>3,769</u>	<u>3,498</u>	<u>3,696</u>	<u>1,209</u>	<u>1,222</u>
<b>Direct outgoings</b>					
Staff costs . . . . .	(484)	(382)	(264)	(89)	(81)
Property managers' fees and related expenses . . . . .	(401)	(409)	(405)	(131)	(133)
Utilities . . . . .	(350)	(355)	(362)	(136)	(136)
Cleansing and security . . . . .	(211)	(235)	(252)	(79)	(81)
Repairs and maintenance . . . . .	(230)	(210)	(162)	(51)	(59)
Government rent and rates . . . . .	(72)	(78)	(69)	(22)	(24)
Estate promotion and marketing expenses . . . . .	(99)	(131)	(140)	(40)	(4)
Other direct outgoings . . . . .	(67)	(75)	(121)	(25)	(31)
	<u>(1,914)</u>	<u>(1,875)</u>	<u>(1,775)</u>	<u>(573)</u>	<u>(549)</u>
	1,855	1,623	1,921	636	673
General and administrative expenses . . . . .	<u>(122)</u>	<u>(117)</u>	<u>(108)</u>	<u>(33)</u>	<u>(32)</u>
	<u>1,733</u>	<u>1,506</u>	<u>1,813</u>	<u>603</u>	<u>641</u>
(Decrease)/increase in fair values of investment properties <sup>(1)</sup> . . . . .	<u>(2,302)</u>	<u>8,915</u>	<u>756</u>	<u>(1,647)</u>	<u>221</u>
<b>(Loss)/profit for the year/period retained by HKHA . . . . .</b>	<u><b>(569)</b></u>	<u><b>10,421</b></u>	<u><b>2,569</b></u>	<u><b>(1,044)</b></u>	<u><b>862</b></u>

Note:

- (1) According to the accounting policy adopted in the preparation of the Audited Financial Statements, investment properties are stated at fair values based on valuations performed by the Independent Property Valuer at each balance sheet date. Changes in fair values are recognised in the profit and loss account. See note (1) on the following page for further details of the basis on which such valuations were performed.



Balance Sheets of the RC Operations

	As at 31 March			As at
	2003	2004	2005	31 July 2005
	As restated HK\$'M	As restated HK\$'M	HK\$'M	HK\$'M
Non-current assets				
Investment properties <sup>(1)</sup> .....	22,001	32,278	33,476	33,697
Property, plant and equipment .....	21	15	28	25
	<u>22,022</u>	<u>32,293</u>	<u>33,504</u>	<u>33,722</u>
Current assets				
Accounts receivable .....	66	65	64	69
Lease incentives .....	93	75	66	59
Deposits and prepayments .....	9	9	17	46
	<u>168</u>	<u>149</u>	<u>147</u>	<u>174</u>
Current liabilities				
Security deposits .....	411	327	307	304
Rent received in advance .....	42	25	15	13
Accruals and other payables .....	523	534	444	392
	<u>976</u>	<u>886</u>	<u>766</u>	<u>709</u>
Net current liabilities .....	<u>(808)</u>	<u>(737)</u>	<u>(619)</u>	<u>(535)</u>
Net assets .....	<u>21,214</u>	<u>31,556</u>	<u>32,885</u>	<u>33,187</u>
Financed by:				
Account with HKHA .....	<u>21,214</u>	<u>31,556</u>	<u>32,885</u>	<u>33,187</u>

Note:

- (1) Historically in the HKHA statutory financial statements, the Properties were stated at cost less depreciation. In preparing the Audited Financial Statements of the RC Operations for the purposes of the Divestment, the Independent Property Valuer has performed the valuation of the Properties as at 30 September 2005, 31 July 2005, 31 March 2005 and 30 September 2004 on a market value basis. The Properties were valued individually by the Independent Property Valuer based on assessments using discounted cash flow analysis, capitalisation of income approach and direct comparison method. The Independent Property Valuer had made reference to the retail property price indices as published by the Government's Rating and Valuation Department in arriving at the historical investment properties' valuations as at 31 March 2002, 2003 and 2004.

## Statements of Cash Flows of the RC Operations

The RC Operations do not maintain any bank accounts. All cash transactions during the Relevant Periods were handled by HKHA as follows:

	Year ended 31 March			Four months ended 31 July	
	2003 As restated HK\$'M	2004 As restated HK\$'M	2005 HK\$'M	2004 As restated HK\$'M	2005 HK\$'M
(Loss)/profit for the year/period . . . . .	(569)	10,421	2,569	(1,044)	862
Decrease/(increase) in fair values of investment properties . . . . .	2,302	(8,915)	(756)	1,647	(221)
Write-off of investment properties due to redevelopment . . . . .	—	—	20	—	—
Depreciation . . . . .	13	11	14	3	5
Operating cash inflow before changes in working capital . . . . .	1,746	1,517	1,847	606	646
Changes in working capital:					
Accounts receivable and lease incentives . . . . .	2	19	10	4	2
Deposits and prepayments . . . . .	(3)	—	(8)	(34)	(29)
Security deposits . . . . .	(350)	(84)	(20)	(4)	(3)
Rent received in advance . . . . .	(125)	(17)	(10)	7	(2)
Accruals and other payables . . . . .	60	11	(90)	(61)	(52)
Net cash generated from operating activities . . . . .	1,330	1,446	1,729	518	562
Cash flows from investing activities:					
Capital expenditure on					
Investment properties . . . . .	(2,149)	(1,362)	(462)	(219)	—
Property, plant and equipment . . . . .	(3)	(5)	(27)	(1)	(2)
Net cash used in investing activities . . . . .	(2,152)	(1,367)	(489)	(220)	(2)
Net advances (from)/to HKHA . . . . .	(822)	79	1,240	298	560

## OFFERING CIRCULAR SUMMARY

### Selected Historical Operating Information

	As at 31 March			As at 31 July	
	2003	2004	2005	2004	2005
Number of RC Operations:					
Retail Operations only .....	2	2	2	2	2
Carpark Operations only .....	28	29	29	29	29
Integrated Retail and Carpark Operations .....	149	149	149	149	149
<b>Total</b> .....	<b>179</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>180</b>
Retail IFA (sq.m.) .....	925,963	944,378	952,187	946,118	960,641
Retail occupancy rate .....	91.7%	90.7%	91.9%	91.7%	91.4%
	As at 31 March			As at <sup>(1)</sup>	
	2003	2004	2005	30 June 2004	31 July 2005
Carpark spaces (number):					
Monthly .....	66,810	68,165	68,756	68,529	68,763
Hourly <sup>(2)</sup> .....	11,047	10,728	10,628	10,444	10,677
<b>Total carpark spaces</b> .....	<b>77,857</b>	<b>78,893</b>	<b>79,384</b>	<b>78,973</b>	<b>79,440</b>
Carpark utilisation rate <sup>(2)</sup> .....	76.9%	73.9%	72.8%	73.4%	72.9%

Notes:

- (1) In this Offering Circular, the most up to date operational data in respect of the Carpark Operations has been provided as at 31 July 2005. However, the number of carparking spaces within the Carpark Operations and hence, utilisation rates of the Carpark Operations have historically been calculated every quarter (as at the end of March, June, September and December). Therefore, for the purposes of a year-on-year comparison, the number of carparking spaces within the Carpark Operations and the utilisation rate of the Carpark Operations as at 30 June 2004 have been provided. There were no material changes in the number of carparking spaces within the Carpark Operations and the carpark utilisation rate during the periods between: (i) 30 June and 31 July 2004; and (ii) 30 June and 31 July 2005.
- (2) The spaces for hourly parking were not taken into account for the purpose of calculating carpark utilisation rates.

## Certain Amounts Payable

The following is a summary of certain fees payable by The Link REIT and/or the Manager (unless otherwise specified) in connection with the establishment and on going management of The Link REIT:

### ***Fees payable to the Trustee***

A one-time inception fee of HK\$700,000 payable by HKHA and an annual trustee fee (calculated and paid monthly) at a rate of 0.008% per annum of the latest Property Value as determined in the latest annual valuation report of an independent property valuer recommended by the Manager and appointed by the Trustee for and on behalf of The Link REIT from time to time, subject to a minimum of HK\$150,000 per month. Such annual trustee fee shall begin to accrue from the date of the authorisation of The Link REIT by the SFC under section 104 of the SFO and, in respect of any broken period, shall be paid on a pro-rated basis.

### ***Fees and other amounts payable to the Strategic Partner<sup>(1)</sup>***

A performance fee calculated using the following formula:

Relevant Percentage<sup>(2)</sup> x 5% x increase in Total Distributable Income per Unit x average number of Units in issue.

The performance fee for each financial year is limited to an amount equal to US\$1.25 million.

In addition to the performance fee, the Strategic Partner will also be paid a base amount equal to the costs and expenses reasonably incurred by the Strategic Partner in the performance of its duties and obligations under the Co-operation Agreement from the Listing Date until the termination of its appointment under the Co-operation Agreement. Such base amount will be subject to a cap. The cap for the base amount for the financial year ending 31 March 2006 will be US\$1.5 million per annum (the actual cap being a pro-rated sum, amounting to approximately US\$0.5 million, calculated from the Listing Date until 31 March 2006). Thereafter, in respect of each financial year, the cap for the base amount will be an amount equal to the cap for the base amount for the last preceding financial year (on an annualised basis where applicable), subject to a minimum of US\$1.5 million, adjusted upwards or downwards to take inflation into account (subject to a maximum adjustment of 4%).

#### Notes:

- (1) If the IPO occurs on or before 31 July 2006, the Strategic Partner is also entitled to be reimbursed its reasonable out-of-pocket expenses (excluding the costs of its professional advisers and travel expenses) reasonably incurred from 27 August 2004 up to the date of the IPO, subject to a maximum of US\$1.5 million. This amount will form part of the total expenses of the Global Offering to be borne by HKHA. See the section headed "Underwriting" in this Offering Circular for further details.
- (2) "Relevant Percentage" means the percentage shown in the table below:

<b>Period</b>	<b>Relevant Percentage</b>
Financial year ended 31 March 2006 .....	0%
1 April 2006 – 31 March 2007 .....	0%
1 April 2007 – 31 March 2008 .....	33%
1 April 2008 – 31 March 2009 .....	67%
1 April 2009 – 31 March 2010 and subsequent financial years .....	100%

***Amounts payable to the Manager***

An amount equal to the costs and expenses reasonably incurred by the Manager in managing The Link REIT, subject to a minimum of HK\$15 million per calendar month (or such other amount as may be agreed between the Trustee and the Manager). The amount payable in respect of any broken period shall be pro-rated on a time basis.

***Other expenses***

The Link REIT and the Manager will also need to pay certain other ongoing fees and expenses in respect of the operations of The Link REIT, such as annual listing fees, audit fees, expenses related to printing of annual and half-year reports, corporate communications, company secretarial matters, investment-related matters, business solutions, licencing and compliance and appointment of professional advisers. See also the section headed “Manager’s Discussion and Analysis of Future Operations” in this Offering Circular.