

## **General**

The Link REIT, which was constituted pursuant to the Trust Deed entered into between the Manager and the Trustee in September 2005, will acquire the Properties from HKHA upon completion of the Global Offering. The Properties will be acquired through the Acquisition Agreements described below. The purchase consideration will be based on the proceeds from the Global Offering as described under the sub-section headed “Acquisition Cost” below. See also the sections headed “The Trust Deed” and “Material Contracts and other Documents and Information” in this Offering Circular for further details on the constitution of The Link REIT and the arrangements for the transfer of the Properties from HKHA to The Link REIT.

## **Acquisition Cost**

The purchase consideration payable to HKHA for the Properties is an amount equal to the proceeds from the Global Offering (before taking into account any exercise of the Over-allotment Option)<sup>(1)</sup> plus the Consideration Units, if any, to be issued 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 drawdown of the Loan Facility. Such drawdown amount is payable in full at completion of the Share Purchase Agreement. The Consideration Units will be taken into account at a value equal to the Offer Price (see the sub-section headed “Consideration Units and Over-allotment Option” below). Pursuant to the terms of the Acquisition Agreements, The Link REIT will assume all the obligations of HKHA with respect to Security Deposits (see the sub-section headed “Security Deposits” below).

In summary, the components of the acquisition cost<sup>(2)(3)</sup> include:

- proceeds from the Global Offering (pre-Over-allotment Option)<sup>(1)</sup>;
- Consideration Units<sup>(1)</sup>; and
- drawdown from the Loan Facility of approximately HK\$12.2 billion.

## **Acquisition Agreements**

The Acquisition Agreements comprise the Share Purchase Agreement, the Agreement for the Sale and Purchase of the Properties, the Supplemental Property Agreements and the PropCo Acquisition Agreement. The Agreement for the Sale and Purchase of the Properties was entered into on 19 November 2004. This agreement was supplemented by the Supplemental Property Agreements which were entered into on 6 September 2005 and 3 November 2005, respectively. Pursuant to the Supplemental Property Agreements, HKHA and PropCo reaffirmed the validity and subsistence of the Agreement for Sale and Purchase of the Properties and made certain amendments and updates in relation to the categorisation of the Properties and other incidental matters. The Share Purchase Agreement was entered into on 6 September 2005 and supplemented by the Supplemental Share Purchase Agreement entered into on 8 November 2005. The PropCo Acquisition Agreement will be entered into at or prior to completion of the Share Purchase Agreement. The Acquisition Agreements are all conditional on the Global Offering becoming unconditional, and are also inter-conditional.

The completion of the Acquisition Agreements will result in the creation of a corporate structure under which: (i) The Link REIT will own the entire issued share capital of each of HoldCo and the

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### **Notes:**

- (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 net proceeds from the Over-allotment Option. See the sub-section headed “Consideration Units and Over-allotment Option” below.
- (2) The Security Deposits will represent a liability assumed by The Link REIT for which The Link REIT will not receive any payment from HKHA referable to the assumption of this liability. See the sub-section headed “Security Deposits” below.
- (3) Of the total purchase consideration: (i) an amount of HK\$2.00 will be attributed to the acquisition of the Manager; (ii) an amount of HK\$8.00 will be attributed to the acquisition of HoldCo; and (iii) the balance of the purchase consideration will be attributed to the acquisition of the receivable from HoldCo which will be assigned by HKHA to the Trustee on behalf of The Link REIT (and the amount of such receivable represents the same amount as the purchase consideration payable to HKHA by PropCo for the Properties).

Manager; (ii) PropCo will be a wholly-owned subsidiary of HoldCo; (iii) the Properties will be owned by PropCo; and (iv) all cash consideration initially due to HKHA under the Property Agreement or the PropCo Acquisition Agreement will become internal, inter-company indebtedness between PropCo and HoldCo or (as the case may be) HoldCo and The Link REIT. This corporate structure is illustrated diagrammatically in the section headed “Structure of The Link REIT” in this Offering Circular.

### ***Property Agreement***

Under the Property Agreement, PropCo will acquire on the Listing Date the Properties for a price to be determined on the same basis as that described under the sub-section headed “Acquisition Cost” above (net of that part of the consideration which is attributable to the acquisition of the Manager and HoldCo). The consideration payable to HKHA under the Property Agreement will be satisfied by cash consideration which will be left outstanding as a debt obligation of PropCo (being the PropCo Consideration Debt). See the section headed “PropCo Acquisition Agreement” below for further details.

### ***PropCo Acquisition Agreement***

HoldCo and HKHA will enter into the PropCo Acquisition Agreement at or prior to completion of the Share Purchase Agreement under which HoldCo will acquire on the Listing Date: (i) the entire issued share capital of PropCo; and (ii) the PropCo Consideration Debt, also for a price to be determined on the same basis as that described under the sub-section headed “Acquisition Cost” above (net of that part of the consideration which is attributable to the acquisition of the Manager and HoldCo). As a result, the PropCo Consideration Debt will become an inter-company obligation outstanding from PropCo to HoldCo. The consideration due to HKHA under the PropCo Acquisition Agreement will similarly be satisfied by cash consideration to be represented by a debt obligation of HoldCo (being the HoldCo Consideration Debt). The HoldCo Consideration Debt will be acquired by The Link REIT pursuant to the Share Purchase Agreement whereupon the HoldCo Consideration Debt will become an inter-company obligation outstanding from HoldCo to The Link REIT. See the paragraph headed “Share Purchase Agreement” below for further details.

Further details on these agreements can also be found in the section headed “Material Contracts and Other Documents and Information” in this Offering Circular.

### ***Share Purchase Agreement***

Under the Share Purchase Agreement, the Trustee as trustee on behalf of The Link REIT will acquire on the Listing Date: (i) the entire issued share capital of each of HoldCo (HoldCo having acquired the entire issued share capital of PropCo pursuant to the PropCo Acquisition Agreement) and the Manager; and (ii) all indebtedness outstanding to HKHA with respect to the consideration due pursuant to the PropCo Acquisition Agreement and the Property Agreement (see above).

### **Consideration Units and Over-allotment Option**

The total consideration due to HKHA under the Share Purchase Agreement will initially comprise a combination of: (i) cash; and (ii) the Consideration Units (see the sub-section headed “Acquisition Cost” above).

The cash consideration referred to in (i) above will be satisfied from the proceeds of the Global Offering (before taking into account any exercise of the Over-allotment Option) and the Loan Facility.

Pursuant to the International Underwriting Agreement, HKHA will grant the Over-allotment Option to the Joint Global Coordinators to require HKHA to make available to the International Underwriters up to all of the Consideration Units to be offered to investors pursuant to the International Offering. See the section headed “Structure of the Global Offering — Over-allotment Option and Stabilisation” in this Offering Circular for further details.

To the extent the Over-allotment Option is exercised, the relevant number of additional Units will be included in the Global Offering and, as a result: (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 additional Units included in the Global Offering pursuant to the Over-allotment Option.

Pursuant to the Underwriting Agreements, HKHA will be restricted from disposing of any Units retained by it for a period of time after the Listing Date. Details of such restrictions and other provisions of the Underwriting Agreements are set out in the section headed “Underwriting” in this Offering Circular.

### **Security Deposits**

Pursuant to the terms of the Acquisition Agreements, The Link REIT will assume all the obligations of HKHA with respect to the Security Deposits existing at the date of completion of the Acquisition Agreements. HKHA has represented to The Link REIT that the amount of the Security Deposits as at completion of the Acquisition Agreements will not exceed HK\$259 million (determined by reference to the outstanding balance as at 30 September 2005) and has agreed to pay to The Link REIT such portion of the actual amount of the Security Deposits as at completion of the Acquisition Agreements that exceeds HK\$259 million. The Link REIT will not receive any payment from HKHA referable to the assumption of this liability up to HK\$259 million. On expiry of the Leases, The Link REIT’s obligations with respect to the Security Deposits may be funded from new deposits received on re-letting or from other sources of finance available to The Link REIT.