

THB's Response to (B)(b)2 –
Gist of policy on the offering of units in the listing of The Link REIT

In gist, for the allocation ratio between institutional investors and retail investors, the initial public offering (“IPO”) of The Link REIT included global offering and Hong Kong public offering. Global offering would target at local and foreign institutions as well as professional and other investors, whereas the Hong Kong public offering would mainly target at local retail investors. The consideration at that time was that the allocation of an appropriate proportion of units to institutional investors who were expected to hold the units for a longer time would be conducive to price stability in the future. It would also be beneficial to retail investors holding the units and to the order of transactions in the market. Moreover, given that Hong Kong was an international financial centre, and in the course of the listing of a fund, it was necessary to allocate part of the units to overseas or institutional investors. This was in line with the market expectation and would make Hong Kong worthy of the position as an international financial centre.

The initial allocation ratio in the 2004 listing exercise was that 90% of the total number of units would be allocated for global offering, whereas the remaining 10% would be for Hong Kong public offering. The ratio of 90 to 10, and even 95 to 5 as in other similar offering exercises, had been commonly adopted in a vast majority of large-scale IPO exercises in recent years. However, this ratio would generally be revised depending on the subscription rate.

The Offering Circular of The Link REIT had clearly provided for a clawback mechanism. If the units were oversubscribed by over 15 times under the Hong Kong public offering, units must be reallocated to the Hong Kong public offering from the global offering, so that the total number of units available under the Hong Kong public offering would be no less than 30% and 40% of the units available in the public offering for the 2004 and 2005 listing exercises, respectively. The larger the number of units oversubscribed, the higher the minimum percentage of units to be reallocated for subscription under the Hong Kong public offering. Given that the clawback mechanism only provided for the minimum percentage of reallocation, the HA had the flexibility to reallocate a higher percentage of units for the Hong Kong public offering. Indeed, the allocation to Hong Kong investors equated to about 65% and 45% of the total allocated units of The Link REIT in the 2004 and 2005 listing exercises.

Cornerstone investors were involved in the 2004 IPO to secure validation for the investment case and early demand for units. It was designed that these cornerstone investors would, in aggregate, subscribe for 18.8% - 19.3% of the total units in issue. The actual experience of the 2004 listing exercise had

shown that demand for units was broadly based. For the relaunch in 2005, HA decided not to appoint any cornerstone investors. This would allow HA greater flexibility to allocate more units to other investors, including retail investors and MPFs.