



Circulars

11 Nov 2005

Re-launch of the Initial Public Offering ("IPO") of the Link Real Estate Investment Trust ("Link REIT")

Our Ref: B1/15C
B5/24C

11 November 2005

The Chief Executive
All authorized institutions

Dear Sir / Madam,

Re-launch of the Initial Public Offering ("IPO") of the Link Real Estate Investment Trust ("Link REIT")

I am writing to highlight matters to which receiving banks and lending banks should pay particular attention in relation to the forthcoming IPO of the Link REIT.

This IPO has several key aspects which, if not handled properly, could have significant potential impact on the operations of receiving banks and lending banks. In particular:

- a. The Link management has included a withdrawal rights mechanism in its offering structure. Should any legal challenge be launched against the Housing Authority or the Link REIT during the offer period, the Link management may elect to offer to successful applicants the right to return the units allotted and receive a full refund.
- b. If the withdrawal rights mechanism were triggered, the listing date would likely be postponed.
- c. A number of other IPOs are expected to be launched before mid-December 2005, and may clash with the timetable of the Link REIT IPO.

In view of the above, in addition to observing the general supervisory requirements for IPOs¹, authorized institutions ("AIs") should pay attention to the following aspects:

(a) Financing the Link REIT IPO subscription

1. AIs should carefully assess the implications of the withdrawal rights mechanism to their IPO financing policy and loan agreement. They should ensure adequate and clear prior disclosure to borrowers about the possible implications and the related changes to the lending policy and loan agreement (e.g. in respect of loan rollover), if applicable.

(b) Receiving banks

2. Receiving banks should put in place adequate operational procedures, trained staff and contingency measures to cope with the IPO and potential triggering of the withdrawal rights mechanism, including -

- Als should ensure that they have sufficient crowd management measures in place, taking into account the special aspects of this IPO as mentioned above.
- If an AI is to take up the role of receiving bank for other IPO(s) concurrently, it should consider the need to deploy different branches for each IPO. In case a particular branch is to distribute and collect forms for two or more IPOs at the same time, there should be sufficient distance and clear directions for the queuing and collection areas, and with adequate manpower deployed to manage the operation.
- Receiving banks should provide adequate guidance to investors in respect of queuing, putting the IPO forms in the appropriate drop-in box(es) and collection of withdrawal rights forms.
- Given the expected pressure on operational capacity, receiving banks should be particularly alert to avoid possible errors and omissions in handling application forms and consolidating individual yellow form orders into omnibus applications through CCASS.

Distribution of white forms

In addition to the above, I would like to take the opportunity to remind AIs that white IPO forms not pre-stamped with the company chop of any bank or securities house ("unstamped white IPO forms") are no longer available from the trading hall of the Stock Exchange. It is therefore anticipated that more stockbrokers and investors would need to collect white forms and related prospectuses from receiving bank branches. As a result, IPO receiving banks should co-operate with sponsors to ensure sufficient unstamped white IPO forms are available at their receiving branches for collection by stockbrokers and investors. They should provide guidance to receiving branches on how to handle any demand for a large volume of these forms and prospectuses.

If you have any questions on the contents of this letter, please contact Mr Shu-Pui Li at 2878-1826 or Ms Alice Lee at 2878-1603.

Yours faithfully,

Arthur Yuen
Executive Director
(Banking Supervision)

1. refer to the HKMA's circular "[Initial Public Offering of the Link Real Estate Investment Trust](#)" dated 29 November 2004, which is available at the HKMA website (<http://www.hkma.gov.hk>). AIs should also ensure that they comply with all applicable requirements issued by the Securities and Futures Commission.

cc. SFC (Attn: Mrs Alexa Lam and Mr Peter Au-Yang)