Since the Manager will manage the Properties differently from the manner in which the RC Operations have historically been managed, the Audited Financial Statements of the RC Operations set forth in Appendix I to this Offering Circular and related discussions and information in respect of the RC Operations contained in the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Offering Circular may not be indicative of the Manager's operating plan for The Link REIT. Since neither The Link REIT nor the Manager has an operating history as a REIT or a manager of a REIT, it may be difficult for investors to assess the future operations of The Link REIT. As a result, the following discussion has been prepared to assist investors' evaluation of the Divestment and proposed transition plan and the factors which may affect The Link REIT's future financial results. Such statements are subject to uncertainties and assumptions, and 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 Manager, the Trustee, the Joint Global Coordinators or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

Background

The Audited Financial Statements of the RC Operations set forth in Appendix I to this Offering Circular and the other historical financial information have been prepared by HKHA based on the historical operations of the RC Operations. The strategy and method of operations of the Manager and the cost structure of The Link REIT will differ in certain respects from those of HKHA, as HKHA has not always managed the RC Operations 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 the Manager has agreed with HKHA to continue to honour for certain periods of time.

PropCo has agreed to continue to honour the commitments made by HKHA in respect of: (i) the fitting (at HKHA's expense, subject to an agreed cap) of certain market stalls with new air-conditioning systems; (ii) the charging of concessionary rent for welfare and educational premises; (iii) the adoption of tender procedures for certain kinds of lettings granted before 1979 and poultry stall tenancies; (iv) 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 (v) the sharing of management and maintenance expenses for estate common areas in various HOS Courts on certain split ratios instead of strictly following the provisions of the deeds of mutual covenant. For further details, see the paragraphs headed "Property Agreement" and "Policies Side Letter" in the section headed "Material Contracts and Other Documents and Information" in this Offering Circular.

In addition, the presentation format of The Link REIT's financial information may differ from that of the Audited Financial Statements. Set forth below are details of the manner in which the Manager intends to implement its strategies and how it believes certain key profit and loss items and other financial statement items of the RC Operations may be impacted as a result of the Divestment.

Revenues

Rental Income from Retail Facilities

As HKHA is a statutory body responsible for the provision of public housing and other related services to the public in Hong Kong, the operations of HKHA's retail and carpark facilities have been influenced from time to time by Government and public policies. Such policies have been evident, for example, in HKHA's implementation of rental concessions and rental reassessments, which practices have generally not been adopted by the private sector in the operations of other retail space. In addition, the tenant trade mix has been influenced by public policy and socio-economic considerations in addition to commercial factors. See the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Circular for further details.

Going forward, the Manager intends to adopt a market-orientated approach with regard to rents, based on normal commercial considerations. In addition, the Manager intends to implement various initiatives aimed at improving the overall commercial attractiveness of, and shopper traffic and tenants' sales at, the Properties, which will in turn enhance their rental potential. See the section headed "Strategy" in this Offering Circular for further details.

Gross Receipts from Carpark Facilities

Historically, the parking rates charged at the Carpark Operations were set with limited flexibility for the Carpark Operators to make adjustments according to market demand. Parking rates were set at uniform levels within districts and only from 1 July 2003 were Carpark Operators authorised to set hourly parking charges (subject to such rates which are no more than 50% above the then stipulated rates). HKHA historically reviewed its carpark charges annually to take into account market rates. 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. The Manager intends to discontinue the policy of providing rebates to Carpark Operators as soon as practicable.

As the Carpark Facilities were developed as ancillary facilities to HKHA's residential developments in most cases, they can only be used for non-resident parking with the planning approval of the Town Planning Board and (where applicable) modification to or waiver of the requirements of the Government Leases relating to them. Approval from the Lands Department is thus also required. As at the Latest Practicable Date, HKHA has obtained the Town Planning Board's approval in respect of 66 List 1 Properties and 79 List 2 Properties. The approvals are either permanent or temporary. Temporary waivers are subject to resubmission to the relevant authorities upon expiry. For nine of the List 1 Properties with permanent approval, not more than 70% of the total private carpark spaces can be let to non-residents. For the remaining noted Properties, no maximum percentage has been specified and the number of carpark spaces for letting to non-residents will be determined on a case-by-case basis. Following approval from the Town Planning Board, approval was subsequently sought and obtained from the Lands Department in respect of 18 List 1 Properties. A further three List 1 Properties are currently under the process of application. For those Properties, in respect of which no applications have been made to the Town Planning Board or to the Lands Department, this is because the Carpark Facilities at such Properties are not currently used by non-residents or because no such applications are required to be made for their use by non-residents.

The Manager intends to provide the Carpark Operators with increased flexibility to adjust prices and allocation of carparks according to market demand with a fee structure that incentivises the operators to maximise occupancy and revenues.

Existing Expense Items

Staff Costs

One of the major cost items in the profit and loss statement of the RC Operations for the Relevant Periods related to the cost of HKHA's staff engaged in managing the RC Operations. For the year ended 31 March 2005, the RC Operations incurred HK$318 million in total staff costs (including the Manager's staff costs). Of such amount, 83% was attributable to direct staff costs and 17% was attributable to non-direct staff costs (which were reflected as general and administrative expenses in the Audited Financial Statements), such as headquarters staff costs and costs relating to supporting functions including finance, administration and IT support. Direct staff costs of HK$264 million comprised HK$234 million direct staff costs incurred by the CPSD and the Manager and HK$37 million direct staff costs incurred by other HKHA divisions (less HK$7 million staff costs capitalised under investment properties). As at 31 March 2005, the Manager had approximately 235 employees, and approximately 430 CPSD employees were involved in the management of the Properties.

As of 1 March 2005, the Manager has undertaken the management of the Properties under the direction of HKHA pursuant to the Management Agreement. The Manager has four functional divisions:

(i) asset management; (ii) project and planning management; (iii) human resources and corporate services; and (iv) finance and investment management. Certain functions with respect to the Properties will continue to be performed by CPSD until the Listing Date. These include acting as landlord under the tenancy agreements, conducting rent assessments, lettings approvals and tenancy enforcements and administrating contracts with external service providers. CPSD has also been providing headquarter support to the Manager. As a result of the more streamlined organisational structure of the Manager, as at the Latest Practicable Date, the Manager had 272 employees, and only 113 CPSD employees were involved in the management of the Properties.

Following the Listing Date, the Manager will have management rights with respect to all the Properties. For a transitional period following the Listing Date, HKHA will provide certain operational support to the Manager and PropCo under the Service Level Agreement. HKHA will be reimbursed for any expenses incurred by it in relation to the provision of services under the Service Level Agreement. See the section headed "Operations of the Manager" in this Offering Circular for further details. Going forward, the Manager believes that its staff costs will be lower than the staff costs historically incurred by HKHA in connection with the management of the RC Operations, due primarily to the reduction in the overall number of employees that will be involved in the management of the Properties following the Listing Date. As at 31 March 2005, 430 employees of the CPSD were involved in the management of the Properties. In addition to direct staff costs incurred in respect of such employees, non-direct staff costs, such as headquarters staff costs and costs relating to supporting functions including finance, administration and IT support are also incurred in connection with the management of the Properties. Following the Listing Date, the Manager will be solely responsible for the management of the Properties and it is currently expected that only approximately 200 employees of the Manager will be involved in the management of the Properties and the related support functions. See the section headed "Management and Employees of the Manager — Employees" in this Offering Circular for a breakdown of the full-time employees of the Manager categorised by function as at the Latest Practicable Date.

PMAs, PSCs, MBOs and Carpark Operators

As part of the Service Level Agreement, HKHA will continue to outsource the performance of property management to existing PMAs, MBOs and Carpark Operators 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. 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 parties. 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 management of such managers, and achieve greater economies of scale and ensure that a more consistent level of service will be provided. It is also expected that the services obtained will be transitioned, where applicable, from those under PSC Contracts to those under PMA Contracts.

In relation to the Carpark Operators, the Manager's intention is to discontinue HKHA's policy of providing rebates to the Carpark Operators as soon as practicable, these rebates having been provided to Carpark Operators in connection with rate reductions imposed by HKHA. As at 31 July 2005, there were 35 Carpark Operator Agreements pursuant to which such rebates were payable. For the year ended 31 March 2005, such rebates amounted to approximately HK$38.7 million and represented approximately 4.1% of total revenues from the Carpark Facilities. All but one of such agreements will have expired by the end of 2006. HKHA is not liable to pay for any rebate amounts in respect of any period following the Listing Date. For further information on HKHA's policy of providing rebates to the Carpark Operators, see the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Circular.

Utilities

The Manager expects this cost item to remain at a level similar to historical levels. However, the Manager will endeavour to improve the energy efficiency of the Properties over time.

Security and Cleansing

Under the ownership of HKHA, there were certain security and cleansing costs that were incurred as a result of the implementation of policies, guidelines and standards set by HKHA which may not be consistent with private sector market practice. The Manager believes that it will be able to attain high standards of service in terms of security and cleansing, consistent with practices adopted by industry leaders, whilst maintaining costs at historical levels.

Repairs and Maintenance

The Property Consultant was commissioned to conduct a building consultancy review of the Properties. The review includes a planned preventative maintenance schedule for the Properties over the next 10 years.

The Manager intends to improve the condition of selected Properties and will continue to incur expenses in the areas of daily maintenance work, such as building services and installation works, as well as minor renovations. Whilst the Property Consultant's review covers a wide range of considerations, it does not factor in decisions as to the appropriate timing of repair and maintenance requirements and management of expenditure to take into account potential future renovation or refurbishment. Consequently, the Manager has used these estimates as a guide only, and although the Property Consultant's forecasts for repairs and maintenance are higher than for historical expenditure, the Manager believes that, in the long term, future repairs and maintenance expenditure will generally be in line with the historical trend. The Manager's forecast level of repairs and maintenance is based on the view that historical expenditure levels provide the best guidance of the annual expenditure required to ensure that the Properties portfolio remains in a satisfactory state of repair. The Manager takes the view that the bottom up asset by asset approach adopted by the Property Consultant has correctly identified the repair and maintenance work required across the portfolio. However, the Manager believes that the Property Consultant's forecasts reflect an assumption of an immediate implementation of the repair works identified in The Link REIT's initial period of ownership. The Manager believes that the repairs and maintenance forecast that it has adopted reflects the best estimate of the actual timing of the expenditure required to ensure the assets are maintained in good functional order. For a summary of this review see Appendix VI headed "Letter from the Property Consultant in relation to its Buildings Due Diligence Report" to this Offering Circular.

Government Rent and Rates

Under HKHA's management and control, no Government rent was levied on the List 2 Properties.

After completion of the Global Offering, Government rent will become payable by the Manager on the 80 List 2 Properties once the relevant Government Leases are in place. The Government Leases will be put in place progressively over the next few years. It is intended that the process will be completed by the middle of 2008.

The rateable value of the List 1 Properties and the List 2 Properties as at 31 August 2004 (to apply for the 12 months commencing from 1 April 2005) was HK$3,173 million as assessed by the Rating and Valuation Department. Government rent is levied at 3% of the rateable value. Based on the rateable value as at 31 August 2004, the Government rent that will become payable in respect of the List 2 Properties upon the grant of the Government Leases of such Properties will amount to HK$5.3 million per annum. Such Government rent will be paid by The Link REIT. Rateable value is assessed annually as at 31 August of each year and future Government rent payable will be contingent on movements in the rateable value assessment.

Estate Promotion and Marketing Expenses

The Manager intends to increase the estate promotion and marketing expenses over time, focusing on the larger District Centres and Local Centres. The Manager intends to introduce progressively a promotion levy to be charged to the tenant, reflecting the mutual benefit to be gained from higher estate promotion and marketing expenses of the Retail Facilities, thus reducing the financial impact of such expenses on The Link REIT.

General and Administrative Expenses

Historically, a large portion of the general and administrative expenses of the RC Operations comprised HKHA headquarters staff costs and the share of HKHA's central administration overheads that was allocated to the RC Operations. The allocation was based mainly on expenses incurred for personnel emoluments and the time spent by HKHA staff providing related services, such as finance, administration and IT support. Going forward, the Manager will manage the Properties independently of HKHA and therefore, HKHA's expenses will not be reflected in The Link REIT's profit and loss accounts, save as provided for in the Service Level Agreement (see the section headed "The Properties and Business — Business — Property Management Arrangements" in this Offering Circular for further details). However, the Manager has, since its incorporation, incurred, and will continue to incur, its own general and administrative expenses in connection with the corporate services functions of The Link REIT such as staff costs, insurance premiums and licensing fees.

Following the Listing Date, the Manager believes that there should be an overall reduction in the general and administrative expenses relating to the Properties, due to the elimination of potential overlaps between the activities of HKHA and the Manager in this area.

Additional Expense Items

In addition, The Link REIT will incur fees and expenses associated with the REIT structure and the Strategic Partner that were not previously incurred by HKHA in respect of the Properties. Set out below are certain such additional cost items.

Hong Kong Stamp Duty

Historically, tenancy agreements entered into by HKHA in relation to the Properties were exempt from Hong Kong stamp duty under the Stamp Duty Ordinance. However, following the Listing Date, any new tenancy agreements granted by PropCo will be subject to Hong Kong stamp duty. The amount of stamp duty payable will depend on the amount of premium (if any) and annual rent payable and the length of term of the agreement. PropCo and the relevant tenant are expected to each be responsible for paying 50% of the relevant stamp duty calculated at the rate ranging from HK$100 to 3.75% of the premium for the premium portion (if any) and 0.25% to 1% of the annual average rental depending on the term of the agreement. In addition, in the event that the Manager decides to acquire a new property in Hong Kong or dispose of any Property or other property it acquires following the Listing Date, such acquisition or disposal will attract Hong Kong stamp duty. Depending on the purchase price, Hong Kong stamp duty will be charged at up to 3.75% of the higher of the consideration or value of the Property. Stamp duty payable in such cases is usually the responsibility of the purchaser. If the acquisition is made through the purchase of a company holding the relevant property, such acquisition may attract Hong Kong stamp duty if the shares of the company are considered "Hong Kong stock" under the Stamp Duty Ordinance. Stamp duty payable in such circumstances will be charged at 0.2% of the higher of the consideration or value of the shares. Generally, the purchaser and seller will each pay 50% of the stamp duty charged on transfers of "Hong Kong stock".

Payments to the Strategic Partner

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 pursuant to the terms and conditions of the Co-operation Agreement. The Link REIT will pay to the Strategic Partner:

(i) *Base Amount*

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 (and 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%); and

(ii) *Performance Fee*

A performance fee calculated using the following formula:

Relevant Percentage x 5% x increase in Total Distributable Income per Unit x average number of Units in issue. Relevant percentage means the following:

Period	Relevant Percentage
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%

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

See the sections headed "Material Contracts and Other Documents and Information" and "Offering Circular Summary — Certain Amounts Payable" in this Offering Circular.

Trustee Fee

The Link REIT is constituted by the Trust Deed. HSBC Institutional Trust Services (Asia) Limited (as trustee of The Link REIT) is entitled to receive 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.

REIT Administrative Expenses

The Link REIT and the Manager will incur certain administrative expenses that HKHA may not have incurred, 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.

Insurance

HKHA has historically procured public liability insurance in respect of the RC Operations and employees' compensation insurance for contract staff from private insurers. In addition, since November 2004, the Properties have been insured against, amongst others, the risks associated with property damage. In respect of public liability insurance, the Properties are currently covered by HKHA's public liability insurance arrangements which will be replaced by The Link REIT's public liability insurance upon the Listing Date. The Link REIT has valid insurance and will maintain insurance, in each case, as required by and in accordance with the REIT Code. The Manager has also put in place employees compensation and third party motor vehicle liability insurances, which are statutory insurance requirements. For the year ended 31 March 2005, insurance costs in relation to the RC Operations amounted to HK$4 million, mainly comprising property damage and public liability insurance, as well as public liability, money and fidelity guarantee insurance arranged by PMAs.

In the case of property damage insurance and public liability insurance, these are required to be maintained by The Link REIT under the REIT Code.

Interest Expenses

In the past, HKHA internally funded all capital expenditure relating to the RC Operations without any external debt.

After the Listing Date, the Manager will seek to optimise the capital structure and cost of capital of The Link REIT through various refinancing and interest rate hedging arrangements as principal. Under the REIT Code, borrowings of The Link REIT may not exceed 45% of its total gross asset value. The Manager expects that its borrowings will initially be 36% of its total gross asset value (being the market value of the Properties as assessed by the Independent Property Valuer) as a result of its initial drawdown from the Loan Facility of approximately HK$12.2 billion to partially fund the acquisition of the Properties. Under the Fixed Rate Term Loan, the Manager expects to pay interest on borrowings at or about 4.85%.

Profits Tax

As a public entity, HKHA is exempt from the provisions of the Inland Revenue Ordinance and thus the RC Operations have historically been exempt from paying Hong Kong profits tax, which is currently levied at the rate of 17.5%.

The Link REIT, as a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO, is also exempt from Hong Kong profits tax but the Manager, HoldCo, PropCo and FinanceCo will individually be subject to Hong Kong profits tax. Distributions made by The Link REIT to Unitholders are not subject to any withholding tax in Hong Kong. HoldCo is subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong if it is carrying on a trade, profession or business in Hong Kong. Dividend income derived by HoldCo from PropCo and FinanceCo is exempt from Hong Kong profits tax. PropCo is subject to Hong Kong profits tax in respect of the profits derived from the letting of the Properties. PropCo is not subject to Hong Kong profits tax on any capital gains derived from the disposal of the Properties. FinanceCo is subject to Hong Kong profits tax in respect of the profits arising in or derived from Hong Kong while the Manager is subject to Hong Kong profits tax in respect of the profits derived from the provision of management services to The Link REIT and/or PropCo. See the section headed "Taxation" in this Offering Circular.

Certain expenses of The Link REIT and its controlled entities may not be deductible for profits tax purposes. As such, the effective tax rate for The Link REIT on a consolidated basis may be higher than 17.5%.

Depreciation Allowances

PropCo will be entitled to claim depreciation allowances on plant and machinery. On 30 September 2005, the Property Consultant, using a sampling exercise, estimated the plant and machinery valuation to be approximately HK$1.5 billion. Depreciation allowances are generally granted for capital expenditure incurred on the provision of plant and machinery for trade and business purposes. An initial allowance of 60% is available in the year in which the capital expenditure is incurred. An annual allowance at 10%, 20% or 30% is available on the reducing balance of the capital expenditure, depending on the nature of the relevant plant or machinery item. PropCo has obtained a ruling from the Inland Revenue Department of the Government on the estimation of the capital expenditure incurred in the provision of plant and machinery and the ascertainment of PropCo's entitlement to the depreciation allowances on the plant and machinery under Part VI of the Inland Revenue Ordinance. PropCo's taxable profits will be reduced by such allowances and therefore the actual cash outflow for paying the tax liability will be reduced. However, provisions for deferred tax would be required in accordance with HKFRS.

In addition to the depreciation allowances on plant and machinery, PropCo will be entitled to allowances on commercial buildings and structures which are generally available at an annual rate of 4% on the construction costs, up to the unamortised amount of the construction costs. In this regard, PropCo has obtained a ruling from the Inland Revenue Department of the Government on the estimation of the expenditure qualifying for the allowances on commercial buildings and structures and the ascertainment of PropCo's entitlement to the allowances on commercial buildings and structures under Part VI of the Inland Revenue Ordinance.

Liquidity and Capital Resources

Upon completion of the Global Offering, net cash received from the operations of the Properties through PropCo will be The Link REIT's primary source of liquidity to fund distributions (which, in accordance with the Trust Deed, will be no less than 90% of The Link REIT's Total Distributable Income for each financial year), debt servicing, repairs and maintenance and other operating and capital costs. The Directors are of the opinion that taking into account the undrawn amount of the Loan Facility of approximately HK$0.3 billion designated to fund The Link REIT's working capital (see the section headed "Material Contracts and Other Documents and Information" in this Offering Circular), The Link REIT has sufficient working capital to satisfy its requirements for the 12 months following the date of this Offering Circular.

Any further future funding will be through the issuance of new Units or through borrowings, the latter of which will be subject to: (i) the constraints of the REIT Code which limit The Link REIT's borrowings to no more than 45% of The Link REIT's total gross asset value; (ii) the restriction on further drawdowns under the Facility Agreement if the LTV exceeds 40% as a result of such drawdowns; and (iii) the covenant contained in the Facility Agreement requiring FinanceCo to prepay the Loan Facility mandatorily in an amount sufficient to restore the LTV to 40% or less if the LTV exceeds 43%, provided that such prepayment may not be paid if the Manager is of the reasonable opinion that it would not have sufficient available funds to pay any accrued or declared distribution (in relation to any financial year ending prior to the date of such prepayment notice) to the Unitholders in accordance with the REIT Code following such prepayment and the Manager shall then be required to make such prepayment as soon as possible (subject to the payment of the distribution as aforesaid) and in any event within seven months and before the maturity date of the Loan Facility. See the section headed "Material Contracts and other Documents and Information" in this Offering Circular for a description of the Facility Agreement.

Indebtedness

In the past, the operations of the RC Operations did not incur any indebtedness as they were fully funded by HKHA from its own funds.

In preparation for the Divestment, FinanceCo has secured the Loan Facility to fund part of the acquisition costs of the acquisition of the Properties. See the section headed "Material Contracts and Other Documents and Information" in this Offering Circular for further details in relation to the Loan Facility.

Capital Expenditure

Historically, capital expenditure in relation to the RC Operations had been funded by HKHA and was generally made in relation to the construction and development of new facilities and effecting major improvement works to the RC Operations.

The Manager anticipates incurring maintenance capital expenditure of HK$132 million for PropCo for the period from 25 November 2005 to 31 March 2006. The amount does not take into account discretionary capital expenditure that the Manager may incur during the same period in relation to major renovation and improvement works, asset enhancement and other strategic initiatives. The Manager expects to spend approximately HK$50 million of discretionary capital expenditure during the period from 25 November 2005 to 31 March 2006.

In determining the maintenance capital expenditure that it anticipates incurring, the Manager has considered the results of the Property Consultant's analysis of the future capital expenditure requirements (as set out in Appendix VI headed "Letter from the Property Consultant in relation to its Buildings Due Diligence Report" to this Offering Circular) and considers the capital expenditure estimates to be a reasonable estimation of the future costs.

See the section headed "The Properties and Business — The Properties — Asset Enhancements" in this Offering Circular for further details.

No Material Adverse Change

Save as disclosed in this Offering Circular, the Directors believe that there has been no material adverse change in the financial or trading position of The Link REIT's Group since 31 July 2005.

Additional Significant Accounting Policies Applicable to The Link REIT

The accounting policies which will be adopted by The Link REIT will be substantially the same as the accounting policies adopted in preparing the audited financial statements of the RC Operations as set out in Note 2 in Section II of Appendix I to this Offering Circular, except that certain additional policies may become necessary as a result of changes in circumstances. The following is a narrative summary of additional significant accounting policies or disclosures applicable to The Link REIT after the Listing Date.

(a) Financial instruments

HKHA has not used such instruments in its management of the RC Operations. To the extent that the Manager uses such instruments after the Listing Date, such instruments will be subject to accounting requirements under HKAS 32 and HKAS 39 "Financial Instruments".

Under HKAS 32 and HKAS 39 an entity recognises all derivatives as either assets or liabilities in the balance sheet initially at cost and subsequently revalues them at their fair value. If certain specified criteria related to designation, documentation and hedge effectiveness are met, a derivative may be accounted for as a fair value hedge, cash flow hedge or hedge of a net investment in a foreign entity. Hedge accounting treatment, which is different for each type of hedge, permits the change in fair value of the derivative to be "matched" with the effect of the risk being hedged and to be recognised either in equity or in the profit and loss account depending on the type of hedging activities. If the specified criteria are not met, changes in the fair value of the derivative are required to be recognised in the profit and loss account.

(b) Accounting for Goodwill

As the Divestment will constitute a business combination, it will be accounted for under HKFRS 3. Under HKFRS 3, goodwill arising from a business combination is tested annually for impairment and carried at cost less accumulated impairment losses. Any negative goodwill is recognised immediately as income in the profit and loss account.

(c) Accounting for Taxation

The historical accounts for the Relevant Periods were prepared on the basis that HKHA was not subject to profits tax. After the Listing Date, the Manager, HoldCo, PropCo and FinanceCo and any other company to be held by The Link REIT will be subject to Hong Kong profits tax, and therefore the consolidated accounts of The Link REIT will include provisions for current and deferred taxation.

Under HKAS 12 "Income taxes", deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

There may be changes to accounting standards other than those issued to date which may impact The Link REIT. The above summary should not be construed as exhaustive nor an indication of all the accounting policy changes which may affect The Link REIT.