

Period from 25 November 2005 to 31 March 2006

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are made on the basis of the principal assumptions set out below and are subject to certain risks and uncertainties 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 Link REIT, the Manager, the Trustee or the Joint Global Coordinators. None of The Link REIT, the Manager, the Trustee or any of the Joint Global Coordinators guarantees the performance of The Link REIT, the repayment of capital or the payment of any (or any particular) return on the Units.

The profit forecast, for which the Manager is responsible, has been approved by the Board. The profit forecast has been prepared on the bases and assumptions set out below and in accordance with accounting principles generally accepted in Hong Kong, and is consistent in all material respects with those accounting policies adopted in the Audited Financial Statements. The forecast profit and loss accounts of The Link REIT on the following page of this Offering Circular have been prepared on a consolidated basis, reflecting the forecast consolidated profit and loss accounts of the Manager, HoldCo, PropCo and FinanceCo for the period from 25 November 2005 to 31 March 2006.

Investors are cautioned that the profit forecast is prepared for the period from 25 November 2005 (the anticipated date of Principal Completion pursuant to the Property Agreement) to 31 March 2006. The Audited Financial Statements only cover the three years ended 31 March 2003, 2004 and 2005 and the four months ended 31 July 2004 and 2005. The financial information in respect of the Properties for the period from 1 August 2005 to 24 November 2005 has not been prepared by HKHA and the financial results of the Properties for such period have neither been audited nor reviewed. In preparing this profit forecast, the Manager has made certain assumptions with respect to the operations of The Link REIT as set out below.

To the extent that the Manager has not identified events that have occurred or may occur in respect of the Properties during the period from 1 August 2005 to 24 November 2005, the impact of such events on the future results of The Link REIT has not been taken into account in this profit forecast.

Investors should note that the extent of any changes in the valuation of the Properties in the future will be established by reference to the market at that time. The Manager has not made any assumption as to property valuation movements in arriving at the consolidated net profit after tax for the period from 25 November 2005 to 31 March 2006. Should the valuation of the Properties as at 31 March 2006 drop below/or rise above the market values of the Properties as at Principal Completion, the resulting gain or deficit less the effect of the corresponding movement in deferred taxation and related goodwill (if any) would be charged/credited to the profit and loss account.

Investors should also note that the format and individual line items in The Link REIT's future financial reports and statements may differ from those used for the purposes of this profit forecast and such line items should not be viewed as individual forecasts, but form part of the bases and assumptions used in arriving at the consolidated net profit after tax of HK\$424 million for the relevant period. This profit forecast should be read together with the letters set out in Appendices II and III headed "Profit Forecast" and "Letter from the Independent Property Valuer in Relation to Rental Income", respectively, to this Offering Circular and the principal bases and assumptions set out below. This profit forecast assumes that the Listing Date will be 25 November 2005 and will vary if the Listing Date is different.

PROFIT FORECAST

Profit forecast for the period from 25 November 2005 to 31 March 2006

The Manager forecasts that, in the absence of unforeseen circumstances and on the principal bases and assumptions set out below, the consolidated net profit after tax of The Link REIT (reflecting the consolidated profit and loss accounts of The Link REIT, the Manager, HoldCo, PropCo and FinanceCo) for the period from 25 November 2005 to 31 March 2006 will be not less than HK\$424 million.

	Combined results of the RC Operations		Consolidated results of The Link REIT
	Year ended 31 March 2004 HK\$'M	Year ended 31 March 2005 HK\$'M	Period from 25 November 2005 to 31 March 2006 HK\$'M
Rental Income from Retail Facilities	2,291	2,525	952
Gross Receipts from Carpark Facilities	946	938	303
Other Revenues	261	233	77
Total Revenues	3,498	3,696	1,332
Property Management Costs	(382)	(264)	(42)
Other Property Operating Expenses	(1,160)	(1,190)	(394)
Carpark Operators' Fees	(255)	(252)	(86)
Government Rent and Rates	(78)	(69)	(40)
Total Property Operating Expenses	(1,875)	(1,775)	(562)
Net Property Income	1,623	1,921	770
General and Administration Expenses	(117)	(108)	(16)
Trustee Fee	n.a	n.a	(1)
Payment to Strategic Partner	n.a	n.a	(1)
Other Expenses	n.a	n.a	(27)
Total Non-Property Expenses	(117)	(108)	(45)
	1,506	1,813	725
(Decrease)/increase in fair values of investment properties ⁽¹⁾	8,915	756	—
Net Profit Before Interest Expense and Tax	10,421	2,569	725
Net Interest Expense	n.a	n.a	(205)
Net Profit Before Tax	10,421	2,569	520
Taxation	n.a	n.a	(96)
Net Profit After Tax	10,421	2,569	424

Note:

- (1) In accordance with HKAS 40 "Investment Property", future changes in the valuation of the Properties will be reflected in The Link REIT's profit and loss account. However the extent of any changes in the valuation of the Properties in the future will be established by reference to the market at that time. The Manager has not made any assumption as to property valuation movements in arriving at the consolidated net profit after tax for the period from 25 November 2005 to 31 March 2006.

Bases and Assumptions

The profit forecast for the period 25 November 2005 to 31 March 2006 has been made on the principal bases and assumptions set out below. The Manager considers these bases and assumptions to be appropriate and reasonable at the time of the issue of this Offering Circular. Investors should carefully consider these bases and assumptions when making an assessment of the future performance of The Link REIT based on the profit forecast presented above.

(i) Total Revenues

Total revenues are the aggregate of rental income from Retail Facilities (the "Rental Income"), gross receipts from Carpark Facilities and other revenues earned from the Properties.

(a) Rental Income

The forecast Rental Income for the forecast period from 25 November 2005 to 31 March 2006 comprises a combination of: (i) committed rentals; and (ii) rentals assumed from renewals and new lettings.

Committed rental is referable to Leases which were in place on 31 July 2005 or which commenced in the month of August 2005 and which, in both cases, continue beyond 25 November 2005. For any of these Leases which expire prior to 31 March 2006, rental up to the expiry date has been taken into account as committed rentals. The portion of the Rental Income for the forecast period represented by such committed rentals is 81.6%.

For all Leases expiring at any time subsequent to 31 July 2005 and before the end of the forecast period (adjusted to take into account any additional Leases entered into during August 2005), an assumption has been made by the Manager that 94.2% of these Leases (as measured by rental income) will be renewed. The historical retention rate of tenants (as measured by area) upon Lease expiry has been 87.3%, 91.8% and 94.3% for the years ended 31 March 2003, 31 March 2004 and 31 March 2005, respectively.

The Manager has assumed that some of the vacancies existing as at 31 July 2005 will be filled through further letting both leading up to and during the forecast period, with the result that the vacancy rate (as measured by area) is forecast to drop from 8.6% as at 31 July 2005 to 7.2% as at 31 March 2006.

For any assumed renewal or re-letting, the Manager has assumed the rent payable under the renewed or new Lease will be set at the prevailing market rent as estimated by the Manager based on the particular Retail Facility, the location of the shop within the Retail Facility, the current passing rent and the trade type.

(b) Gross receipts from Carpark Facilities

The gross receipts from the Carpark Facilities for the period from 25 November 2005 to 31 March 2006 are assumed to be lower on an annualised basis than the annualised gross receipts for the year ended 31 March 2005 as a result of the discontinuation of the policy of free carparking for shoppers at the Retail Facilities effective 1 April 2005. The discontinuation of this policy will negatively impact gross receipts of the Carpark Facilities. However, there will be associated cost savings which are reflected within the category "Other Property Operating Expenses". For further information on the free carparking arrangements for shoppers, see the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Circular.

(c) Other revenues

Other revenues principally comprise air-conditioning fees charged to tenants on a cost recovery basis.

(ii) Total Property Operating Expenses

(a) Property Management Costs

These are the estimated staff costs and related expenses to be incurred by the asset management and project and planning functions of the Manager in managing the operations of the Properties, based on the Manager's organisational structure and expected long-term staff headcount in these areas. This line item includes 50% of the Chief Executive Officer's remuneration, which is related to asset management (and which has accordingly been excluded from the General and Administrative Expenses).

(b) Other Property Operating Expenses

These expenses mainly include external property management fees paid to PMAs and PSCs, repairs and maintenance expenses, utilities expenses, cleansing and security expenses, insurance expenses and promotional and advertising expenses.

(c) Carpark Operators' Fees

Carpark Operators' fees for the forecast period are based on the contracted fee arrangements under the existing Carpark Operator Agreements. The forecast levels of Carpark Operators' fees also reflect rebates currently paid to the Carpark Operators pursuant to HKHA's existing policy of compensating Carpark Operators for reduced income resulting from parking rate reductions. It is the intention of the Manager that payment of such rebates should be discontinued as soon as practicable. However, in preparing the profit forecast, no assumption has been made that any cost savings associated with the removal of such rebates will be achieved within the forecast period. 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.

(d) Government Rates and Rent

Government rates and rent are payable at the rates of 5% and 3%, respectively, of the rateable values of relevant Properties. For the purposes of the profit forecast, it has been assumed that no Government rent is payable for the List 2 Properties until legal title is transferred to The Link REIT (through PropCo) on or prior to 31 March 2006.

(iii) Non-Property Expenses

(a) General and Administrative Expenses

These are the estimated staff costs and related expenses to be incurred by the corporate services staff (providing finance, administration and IT support), human resources staff and public relations staff of the Manager in connection with the general management of The Link REIT. These are additional to the property management costs. This line item includes the non-executive Directors' remuneration as well as 50% of the Chief Executive Officer's remuneration.

During the forecast period, certain non-property related services will be provided by HKHA under the Service Level Agreement. In respect of these services, the forecast is based on the expected costs under the Service Level Agreement. For details of the Service Level Agreement, see the section headed "Material Contracts and Other Documents and Information" in this Offering Circular.

(b) Trustee's Fee

The Trustee will be paid 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. For the purposes of the profit forecast, the latest Property Value is taken as the one performed as at 30 September 2005.

(c) Payment to Strategic Partner

Under the Co-operation Agreement entered into between the Manager and the Strategic Partner, the Strategic Partner will be paid a base amount equal to the costs and expenses reasonably incurred by the Strategic Partner (subject to a cap of US\$1.5 million per annum) in performing its duties and obligations under the Co-operation Agreement. For the purposes of the profit forecast, based upon the services currently being provided by the Strategic Partner, the Manager has assumed that the base amount payable to the Strategic Partner for the period of the profit forecast will be approximately HK\$1 million. No performance fee will be payable to the Strategic Partner for the period of the profit forecast. See the section headed "Material Contracts and Other Documents and Information — Co-operation Agreement" for details of the payments to be made to the Strategic Partner under the Co-operation Agreement.

(d) Other Expenses

These comprise recurring operating expenses such as fund management staff costs, annual listing fees, valuation fees, legal fees, registrar charges, accounting, audit and tax adviser's fees, postage, printing and stationery costs, investor communications costs and other miscellaneous expenses.

(iv) Goodwill/ Impairment of Goodwill Charged

Goodwill is the difference between the "acquisition cost" (as described in the section headed Terms of Acquisition) and the fair values of the assets and liabilities of HoldCo, PropCo and the Manager acquired under the Acquisition Agreements.

For the purpose of preparing the profit forecast, the Manager has assumed that Units will be issued pursuant to the Global Offering at the Maximum Offer Price, which will give rise to an estimated goodwill of HK\$4,389 million.

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.

(v) Net Interest Expense

On the Listing Date, the Manager is expected to draw down a total of approximately HK\$12.2 billion under the Loan Facility. The Loan Facility provides a structured fixed rate facility which will provide The Link REIT with a fixed interest rate at or about 4.85% for the forecast period. As such, for the purposes of the profit forecast, the Manager has assumed interest will be payable on such drawings at an interest rate of 4.85% per annum.

(vi) Taxation

The corporate profits tax rate in Hong Kong is 17.5% per annum. However, as some of the expenses of The Link REIT are not tax-deductible, the effective tax rate on the pre-tax income of The Link REIT during the forecast period is estimated at approximately 18.5% per annum. In addition, since The Link REIT recognises deferred tax based on the difference between the carrying value of its assets and liabilities and their tax cost base, any movement in the valuation of investment properties will lead to a deferred tax charge or credit to the profit and loss account. As explained in note (1) on page 101, no assumption on future valuation has been made in arriving at the forecast profit. Accordingly no such deferred tax charge or credit has been included in the forecast.

Other Assumptions

Other assumptions made in preparing the profit forecast include:

- the property portfolio, comprising of the Properties, will remain unchanged;
- no further equity capital will be raised by The Link REIT during the forecast period;
- all Leases are enforceable and will be performed in accordance with their terms as amended from time to time;
- there will be no unforeseen transitional costs relating to the transfer of the Properties to The Link REIT and the handover of management control of the Properties to the Manager by HKHA;
- there will be no material change in existing political, legal, fiscal, market or economic conditions in Hong Kong; and
- there will be no changes in legislation, regulations or rules in Hong Kong, or any other country or territory which materially adversely affect the business of The Link REIT.