

Overview

As of 1 March 2005, the Manager has undertaken the management of the Properties under the direction of HKHA and in line with HKHA's existing policies and practices. The Manager's strategy (as outlined in the section headed "Strategy" in this Offering Circular) will only be implemented following The Link REIT's acquisition of the Properties. This section outlines the current framework of the Manager's operations and the extent of its involvement with respect to the management of the Properties since 1 March 2005.

Organisational Structure of the Manager

The Manager has adopted a decentralised management structure which allows it to maintain a level of independence among its core functional areas. This is achieved by separating the managerial role into the following four functional divisions: (i) asset management; (ii) project and planning; (iii) finance and investment management; and (iv) human resources and corporate services. Each of these functions is explained in greater detail below:

Asset Management Function

This division deals with the operational aspects of the Properties, covering areas such as strategic asset planning, marketing and development, lettings, property and tenancy management and support in terms of transitional arrangements. The Director of Asset Management reports directly to the Chief Executive Officer.

Project and Planning Function

This division deals with matters relating to the management of property improvement projects, asset enhancements, property maintenance and major projects. This division is headed by the Director of Project and Planning who reports directly to the Chief Executive Officer.

Finance and Investment Management Function

This division deals with the formulation and implementation of the Manager's fund investment and financing strategies, risk management policies, market research and investor relations initiatives, and the development and implementation of the Manager's financial and accounting policies and procedures. The Director of Finance is responsible for this function and reports directly to the Chief Executive Officer.

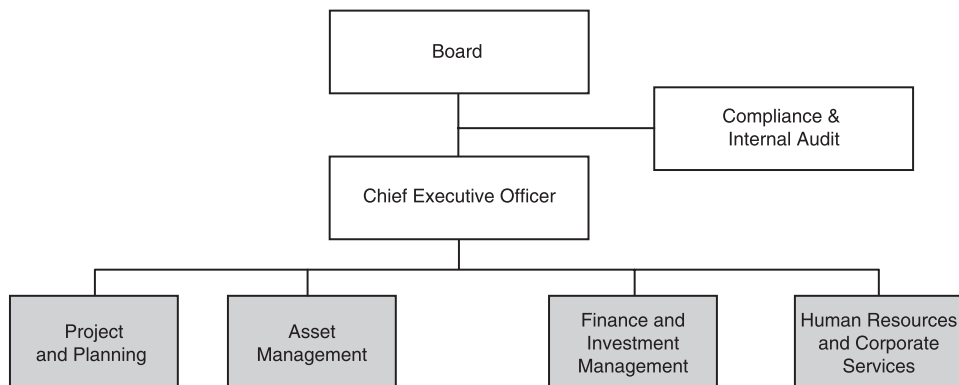
Human Resources and Corporate Services Function

This division deals with the provision of support to the Manager's asset management, project and planning and finance and investment management functions. Services provided relate to human resources, procurement and contract management, business (IT) solutions, legal and company secretarial and other administrative support.

Other than the Compliance Manager and Internal Auditor who report directly to the Board, each of the functions is managed by managers who report to the Chief Executive Officer.

In addition to these four core functional divisions, the Manager also has in place a Corporate Communications division which deals with the planning and implementation of communication and public relations and promotion programmes and the coordination of customer-related matters. The Corporate Communications Manager is responsible for this division and reports directly to the Chief Executive Officer.

The following chart summarises the organisational structure of the Manager:



Organisation of the Properties by District

The Manager has divided the Properties into eight Districts (taking into account the location, relative size and number of Properties) to facilitate the management of the Properties. The segmentation of the portfolio by District is set out below:

Region	District	No. of Properties	Retail IFA (sq.m.)	% of total Retail IFA	No. of carparking spaces	% of total carpark spaces
Urban	Kowloon Central	20	117,918	12.3	7,331	9.2
	Kowloon East,					
	Hong Kong Island	23	115,270	12.0	8,331	10.5
	Kowloon West	23	113,594	11.8	8,699	11.0
	Tseung Kwan O ⁽¹⁾	26	106,687	11.1	12,316	15.5
	Sub-total	92	453,469	47.2	36,677	46.2
New Territories	Kwai Chung, Tsing Yi, Tsuen Wan and Island	22	118,639	12.4	10,227	12.9
	Tai Po and North	19	91,975	9.6	7,106	8.9
	Shatin and Ma On Shan	21	129,907	13.5	12,526	15.8
	Yuen Long and Tuen Mun ..	26	166,651	17.3	12,904	16.2
	Sub-total	88	507,172	52.8	42,763	53.8
Total		180	960,641	100.0	79,440	100.0

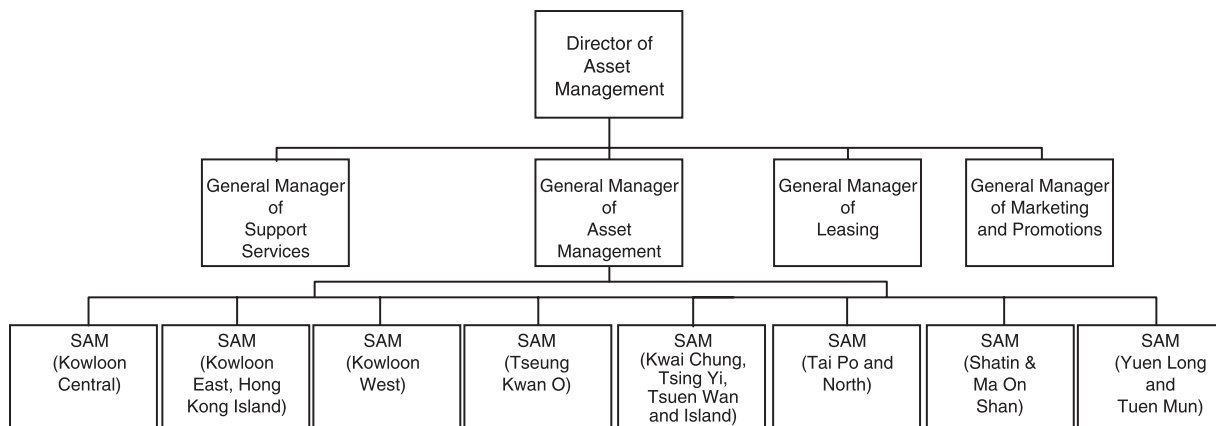
Note:

(1) Tseung Kwan O district is classified as an extended-urban district.

A SAM of the Manager is accountable for each District, and reports to the General Manager of Asset Management. Each SAM leads a team of real estate professionals including property management staff, and is supported by centralised property planning, maintenance, marketing and leasing teams.

The Manager continues to review and refine the segmentation of the portfolio with a view to increasing efficiency and improving cost effectiveness, without compromising the overall quality of the services provided to tenants, shoppers and other users of the Properties.

The structure of the Asset Management Division of the Manager is set out below:



Management of the Properties

Since 1 March 2005, the Manager has undertaken the management of all the Properties. The day to day management of the Properties is contracted out to PMAs, PSCs, MBOs, Carpark Operators and, with respect to 10 of the Properties (namely Ap Lei Chau, Fu Cheong, Fung Wah, Kwong Yuen, Leung King, Lok Wah (South), Shun Tin, Tsui Wan, Choi Ha and Cheung On), the Estate Management Division of the Housing Department. Until completion of the Share Purchase Agreement, the Manager will remain a wholly-owned subsidiary of HKHA and its operations will continue to be overseen by HKHA through a joint committee comprising senior management of HKHA and the Manager, chaired by the Director of Housing. The Manager currently has to obtain HKHA's consent before undertaking any capital expenditure in excess of a pre-determined value, and any major improvement works, in respect of the Properties. In addition, the final decision on tenancy matters currently remains with the CPD and any changes to the business strategies in respect of the management of the Properties currently require the consent of HKHA.

Upon completion of the Share Purchase Agreement, the Manager will cease to be a subsidiary of HKHA and its operations will cease to be overseen by HKHA. Audited financial statements have been prepared with respect to the Manager as at and for the year ended 31 March 2005. Such financial statements do not include any material information that is not otherwise disclosed in this Offering Circular.

Management Agreement

Since 1 March 2005, the Manager (currently a wholly-owned subsidiary of HKHA) has been providing management services to HKHA in respect of the Properties. This arrangement was formalised on 30 May 2005 when the Manager and HKHA entered into the Management Agreement, which is deemed to take effect from 1 March 2005. The management services provided by the Manager pursuant to the Management Agreement include:

- collection of rents, rates and other fees and charges;
- marketing, promotion and public relations services;
- maintenance of the Properties;
- monitoring of property management services contractors; and
- capital improvement programmes.

Capital improvements and day-to-day maintenance works are undertaken in accordance with the terms of the budget. The Manager is responsible for procuring its own contracts and assumes full responsibility including supervision of works and certification of payments. HKHA makes regular

payments to the Manager to cover the Manager's costs and expenses incurred in discharging its obligations under the agreement. No other fees are payable under the Management Agreement. The Management Agreement will terminate when the Manager ceases to be a wholly-owned subsidiary of HKHA on the Listing Date.

Leasing Services Agreement

The Manager has also agreed to act as the leasing agent of HKHA in respect of all new lettings to be entered into and tenancy renewals that fall due in respect of the Properties on or after 1 May 2005. Like the Management Agreement, this arrangement was also formalised on 30 May 2005 when the Manager and HKHA entered into the Leasing Services Agreement. A joint leasing panel comprising representatives of HKHA and the Manager oversees leasing matters relating to the Properties. The ultimate decision on leasing terms and rent levels still rests with HKHA. HKHA provides funding to the Manager to cover the Manager's costs and expenses arising as a result of the provision of the services. No other fees are payable under the Leasing Services Agreement. The Leasing Services Agreement will terminate when the Manager ceases to be a wholly-owned subsidiary of HKHA on the Listing Date.

Minor Improvement Works

In addition to ongoing repair and maintenance activities, the Manager has commenced a range of minor improvement works at selected Properties. These include:

- improving signage and lighting;
- upgrading amenities;
- repainting works;
- re-roofing works; and
- establishing customer service counters.

The Property Consultant was commissioned to conduct detailed studies on the asset enhancement opportunities at the Retail Facilities. See the section headed "The Properties and Business — Asset Enhancements" in this Offering Circular for further details.

Support by HKHA

Whilst a large part of the management of the Properties and related tasks such as cleansing, day-to-day minor repairs and security have in the past been contracted out to external property managers, HKHA will provide certain additional operational support to the Manager, during the Manager's transitional period after the Listing Date.

The Service Level Agreement, which serves as a short-term support services agreement, will be entered into between the Manager, PropCo and HKHA, at or prior to completion of the Share Purchase Agreement, to provide the Manager and PropCo with certain operational support after the Listing Date.

Scope of the Service Level Agreement

Under the Service Level Agreement, HKHA will provide certain operational support services to the Manager and PropCo after the Listing Date.

Specifically, HKHA will provide property management services to PropCo in respect of 10 Properties, as well as IT Support, and other administration, training and support services, to the Manager. In addition, HKHA will administer the contracts in respect of the provision of property management services for the Properties with external property managers under its existing contracts, with the Manager supervising and directing the day-to-day activities of such external property managers in so far as they relate to the Properties. For further details of the services provided by these external property managers, see the section headed "The Properties and Business" in this Offering Circular.

HKHA, as the contracting party under the contracts referred to above, will hold the benefits thereunder, including but not limited to the income, performance bonds, insurances, guarantees, charges and other forms of securities received (in so far as they relate to the Properties), on trust for the Manager. The Manager will collect rents and charges from tenants and carpark receipts from Carpark Operators (in so far as they relate to the Properties) for the account of PropCo as owner of the Properties. HKHA will comply with all reasonable directions of the Manager made in accordance with the Service Level Agreement in respect of the provision of such services.

Service Fees

In consideration of the services provided under the Service Level Agreement, HKHA will be paid an amount calculated on a full cost recovery basis. HKHA will also be reimbursed for any expenses incurred by it in connection with the services provided under the Service Level Agreement.

Term

The Service Level Agreement is intended to be a transitional arrangement and will be completely phased out as and when the relevant supporting services are assumed by the Manager and are no longer required to be provided by HKHA. HKHA will commit to an initial term of service of six months under the Service Level Agreement, although the Manager and HKHA have the right to terminate the Service Level Agreement earlier. To the extent that the Manager and HKHA mutually agree that HKHA will provide any service to the Manager and/or PropCo after the initial six-month period, the provision of such services shall be on such terms and conditions to be agreed.

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. Early termination or short-term extensions or renewals of existing contracts with external property managers by HKHA or entry into short-term contracts with external property managers by the Manager may be required if the expiry dates of such contracts do not match such timeframe. As the existing PSC Contracts and MBO Contracts relate to the provision of services in respect of certain HKHA domestic estates as well as the associated Properties, the Manager does not expect to renew such contracts in their current form upon their expiry or termination.