APPENDICES

For the purposes of the Divestment and the listing of Units of The Link REIT on the Hong Kong Stock Exchange, HKHA has prepared the Audited Financial Statements set forth below to present the results of the RC Operations for each of the three years ended 31 March 2003, 2004 and 2005 and the four month periods ended 31 July 2004 and 31 July 2005, respectively, and the financial position of the RC Operations as at 31 March 2003, 2004 and 2005 and 31 July 2005.

Following the transfer of the Properties to The Link REIT, the method of management of the Properties and operational processes of the Manager are expected to differ from those followed by HKHA, as HKHA generally did not manage the RC Operations in line with private sector market practices. Such historical Audited Financial Statements prepared by HKHA are set out herein for the purposes of providing investors with an indication of the past performance of the RC Operations under the management of HKHA. This information should not be relied upon as an indication of the future performance of the Properties when operated under the Manager.

The following are the Audited Financial Statements of the RC Operations prepared by HKHA for each of the three years ended 31 March 2003, 2004 and 2005 and for the four month periods ended 31 July 2004 and 31 July 2005 and the text of the auditors' report thereon issued by PricewaterhouseCoopers.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Auditors' Report to the Hong Kong Housing Authority (the "HKHA") and The Link Management Limited (the "Manager")

Financial Statements of the RC Operations

We have audited the financial statements of the RC Operations (defined in note 1(a) to the financial statements), set out on pages I-3 to I-18, which have been prepared for the purpose of the divestment by the HKHA of certain retail and carpark properties (the "Properties") into The Link REIT, on the basis set out in note 1 to the financial statements and in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of the HKHA and auditors

The HKHA is responsible for the preparation of these financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the HKHA in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the RC Operations, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements of the RC Operations, for the purpose of the divestment of the Properties into The Link REIT and prepared on the basis set out in note 1 to the financial statements, give a true and fair view of the results and cash flows of the RC Operations for each of the three years ended 31 March 2003, 2004 and 2005 and for each of the four month periods ended 31 July 2004 and 2005, and of the state of affairs of the RC Operations as at 31 March 2003, 2004 and 2005 and 31 July 2005.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 November 2005

Section I

Income statements

	Note	Year ended 31 March			Four months ended 31 July	
		2003	2004	2005	2004	2005
		As restated HK$'M	As restated HK$'M	HK$'M	As restated HK$'M	HK$'M
Turnover	5	3,503	3,237	3,463	1,132	1,146
Other revenues	5	266	261	233	77	76
Direct outgoings	7	(1,914)	(1,875)	(1,775)	(573)	(549)
		1,855	1,623	1,921	636	673
General and administrative expenses	8	(122)	(117)	(108)	(33)	(32)
(Decrease)/increase in fair values of investment properties		(2,302)	8,915	756	(1,647)	221
(Loss)/profit for the year/period retained by the HKHA	9	(569)	10,421	2,569	(1,044)	862

Balance sheets

	Note	As at 31 March 2003 As restated HK$'M	As at 31 March 2004 As restated HK$'M	As at 31 March 2005 HK$'M	As at 31 July 2005 HK$'M
Non-current assets					
Investment properties	11	22,001	32,278	33,476	33,697
Property, plant and equipment	12	21	15	28	25
		22,022	32,293	33,504	33,722
Current assets					
Accounts receivable	13	66	65	64	69
Lease incentives		93	75	66	59
Deposits and prepayments		9	9	17	46
		168	149	147	174
Current liabilities					
Security deposits		411	327	307	304
Rent received in advance		42	25	15	13
Accruals and other payables		523	534	444	392
		976	886	766	709
Net current liabilities		(808)	(737)	(619)	(535)
Net assets		21,214	31,556	32,885	33,187
Financed by:					
Account with the HKHA	14	21,214	31,556	32,885	33,187

Michael SUEN Ming-yeung
GBS, JP
Chairman
The Hong Kong Housing Authority

Statements of cash flows

The RC Operations do not maintain any bank accounts. All cash transactions during the three years ended 31 March 2003, 2004 and 2005 and the four month periods ended 31 July 2004 and 2005 were handled by the HKHA as follows:

	Year ended 31 March			Four months ended 31 July	
	2003	2004	2005	2004	2005
	As restated HK$'M	As restated HK$'M	HK$'M	As restated HK$'M	HK$'M
(Loss)/profit for the year/period	(569)	10,421	2,569	(1,044)	862
Decrease/(increase) in fair values of investment properties	2,302	(8,915)	(756)	1,647	(221)
Write-off of investment properties due to redevelopment	—	—	20	—	—
Depreciation	13	11	14	3	5
Operating cash inflow before changes in working capital	1,746	1,517	1,847	606	646
Changes in working capital:					
Accounts receivable and lease incentives	2	19	10	4	2
Deposits and prepayments	(3)	—	(8)	(34)	(29)
Security deposits	(350)	(84)	(20)	(4)	(3)
Rent received in advance	(125)	(17)	(10)	7	(2)
Accruals and other payables	60	11	(90)	(61)	(52)
Net cash generated from operating activities	1,330	1,446	1,729	518	562
Cash flows from investing activities:					
Capital expenditure on:					
— Investment properties	(2,149)	(1,362)	(462)	(219)	—
— Property, plant and equipment	(3)	(5)	(27)	(1)	(2)
Net cash used in investing activities	(2,152)	(1,367)	(489)	(220)	(2)
Net advances (from)/to the HKHA	(822)	79	1,240	298	560

Statements of changes in net assets

	Year ended 31 March			Four months ended 31 July	
	2003	2004	2005	2004	2005
	As restated HK$'M	As restated HK$'M	HK$'M	As restated HK$'M	HK$'M
At beginning of the year/period	20,961	21,214	31,556	31,556	32,885
Net advances from/(to) the HKHA	822	(79)	(1,240)	(298)	(560)
(Loss)/profit for the year/period retained by the HKHA	(569)	10,421	2,569	(1,044)	862
At end of the year/period	21,214	31,556	32,885	30,214	33,187

Section II

1 Basis of presentation

(a) Pursuant to various agreements as set out below, the Hong Kong Housing Authority ("HKHA") plans to divest certain of its retail and carpark properties (the "Properties") into The Link REIT (the "Divestment") through the following mechanism:

(i) Under the Property Agreement dated 19 November 2004, as supplemented by the Supplemental Agreement dated 6 September 2005, the HKHA transfers the Properties into a special purpose vehicle ("PropCo"), incorporated in the Cayman Islands on 2 August 2004;

(ii) Upon the completion of the PropCo Acquisition Agreement, PropCo will become wholly owned by The Link Holdings Limited (the "HoldCo"), which is currently wholly owned by the HKHA up to that date (the "Completion Date");

(iii) Pursuant to the Share Purchase Agreement dated 6 September 2005, as supplemented by the Supplemental Agreement dated 8 November 2005, the shares in HoldCo and The Link Management Limited (the "Manager"), incorporated on 2 August 2004 and 20 February 2004 respectively, are transferred by the HKHA into The Link REIT on the Completion Date.

For the purpose of the Divestment of the Properties and the listing on The Stock Exchange of Hong Kong of The Link REIT pursuant to the Code on Real Estate Investment Trusts, these financial statements ("Financial Statements") have been prepared by the HKHA to present the combined results and cash flows for each of the three years ended 31 March 2003, 2004 and 2005 and each of the four month periods ended 31 July 2004 and 2005 (the "Relevant Periods") of the Properties in existence during the Relevant Periods, and the combined financial position of such Properties as at 31 March 2003, 2004 and 2005 and at 31 July 2005, under the ownership and management of the HKHA (herein referred to as the "RC Operations"). PropCo and HoldCo are inactive and their accounts have not been included in the Financial Statements.

At the date of this report, the RC Operations comprise a portfolio of 180 properties, details of which are set out in the subsection headed "The Properties and Business" of the offering circular dated 14 November 2005 of The Link REIT (the "Offering Circular"). Included in the RC Operations were 4 newly constructed properties which were transferred into the portfolio during the Relevant Periods upon completion. They are treated as being transferred from the HKHA into the RC Operations portfolio and accordingly, their attributable results are included in the Financial Statements from the date of transfer.

The financial results in the Relevant Periods reflect all the revenues and expenses which are directly attributable to the RC Operations and a share of staff costs and overheads of the HKHA, which were charged to respective business activities of the HKHA during the Relevant Periods based on a predetermined cost allocation basis such as direct attributable personnel emoluments and actual time spent. These allocated expenses are no longer applicable following the Divestment as further described in note 18.

(b) For the purpose of the Previous Offering, the HKHA had prepared the financial statements of the RC Operations for the years ended 31 March 2003 and 2004, and for the four month period ended 31 July 2004 in accordance with the Hong Kong accounting standards applicable at that time. The financial statements in respect of these periods have been restated in the Financial Statements as a result of the adoption of the new/revised Hong Kong Financial Reporting Standards, which are effective for accounting periods commencing on or after 1 January 2005. Details of the changes have been set out in note 2(a) below.

(c) No shareholders' equity is presented in the balance sheets as the RC Operations are parts of the HKHA and accordingly there is no capital. The Account with the HKHA represents the balance with the HKHA (note d) and the retained profit of the RC Operations. The existing

1 Basis of presentation (Continued)

capital and financing structure is no longer applicable following the Divestment as further described in note 18.

(d) The cash management and treasury functions of the RC Operations are centrally administered by the HKHA. Cash flows including receipt of rental income, settlement of expense payable and the acquisition of fixed assets are handled by the HKHA head office centrally and are therefore shown as movements in the net current account balance with the HKHA in the Financial Statements. Accordingly, no cash and bank balances are presented in the balance sheets of the RC Operations.

2 Principal accounting policies

The Financial Statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except that investment properties are carried at fair values as set out in note 2 (b) below.

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Early adoption of new/revised Hong Kong Financial Reporting Standards

The HKICPA has issued a number of new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations, herein collectively referred to as the new/revised HKFRS, which are effective for accounting periods commencing on or after 1 January 2005.

In preparing the Financial Statements for the year ended 31 March 2005, the RC operations early adopted the new/revised standards and interpretations of HKFRS as set out below, which are relevant to its operations. The 31 March 2003 and 2004, and 31 July 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS Int 15	Operating Leases — Incentives

The adoption of these new/revised HKFRS has no material financial impact on the Financial Statements of the RC Operations, except for the adoption of HKAS 1 "Presentation of Financial Statements", HKAS 32 "Financial Instruments: Disclosures and Presentation" and HKAS 40 "Investment Property". The adoption of HKAS 1 and HKAS 32 has led to some additional disclosures in the Financial Statements. Major additional disclosures are set out in note 3 and note 4 below. The adoption of HKAS 40 has resulted in a change in the accounting policy for investment properties. The changed policy and the financial impact are set out in note 2(b) below.

2 Principal accounting policies (Continued)

(b) Investment properties

A property comprising freehold or leasehold land and building that is held for long-term rental yields or for capital appreciation or both is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the RC Operations use alternative valuation methods such as discounted cash flow projections. These valuations are performed in accordance with the Hong Kong Institute of Surveyors Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors. These valuations are performed at each of the balance sheet dates by external valuers.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the RC Operations and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognised in the profit and loss account.

In previous years, changes in fair values of investment properties were dealt with as movements in the investment properties revaluation reserve. Increases in fair values were credited to the investment properties revaluation reserve. Decreases in fair values were first set off against increases on earlier valuations on a portfolio basis and thereafter charged to the profit and loss account. The early adoption of HKAS 40 "Investment Property" represents a change in accounting policy, which has been applied retrospectively and the comparative figures presented have been restated to conform to the revised policy.

As a result of the retrospective adjustment, the losses for the year ended 31 March 2003 and the four months ended 31 July 2004 have been increased by HK$1,306 million and HK$1,647 million respectively. In addition, the profit for the year ended 31 March 2004 has been increased by HK$7,919 million. The account with the HKHA as at 1 April 2002 and 2004 have been increased by HK$1,306 million and HK$7,919 million respectively.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost less accumulated impairment losses over the shorter of the estimated useful lives or their remaining lease terms (if applicable), as follows:

Leasehold improvement	1-2 years
Equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Accounts receivable

Accounts receivable are carried at amortised cost less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the RC Operations will not be able to collect part or all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the profit and loss account.

2 Principal accounting policies (Continued)

(e) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Details of recognition of operating lease rental income are set out in note 2(h)(i) below.

(g) Employee benefits

Employee benefits such as wages, salaries and bonuses are recognised as an expense when the employee has rendered the service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Contributions to the Mandatory Provident Fund for contract staff are expensed as incurred. Pension liabilities for civil servants are discharged by reimbursement to the Hong Kong Government as part of the civil servant's staff costs recharged by the Government to the HKHA on a monthly basis.

Obligations on contract-end gratuities payable to contract staff for services rendered during the Relevant Periods are provided for in the Financial Statements on an accrual basis.

(h) Revenue recognition

(i) Rental income from retail properties

Operating lease rental income is recognised on a straight-line basis over the terms of lease agreements or according to the terms of the lease agreements in respect of contingent rental income (representing income over and above base rent) such as turnover rent. Lease incentives provided, such as rent-free periods, are amortised on a straight-line basis and are recognised as a reduction of rental income over the respective term of the lease.

(ii) Gross receipts from carparks

Gross receipts from carparks are recognised as revenue on an accrual basis.

(iii) Service fees and charges

Service fees and charges such as air-conditioning income arising from the provision of services are recognised when such services are rendered.

(i) Expenditure

Expenditure, including property related outgoings and other expenses, are recognised on an accrual basis.

(j) Segmental reporting

Consistent with the HKHA's internal financial reporting, business segment is determined as the primary segmental reporting format for the RC Operations. Segment assets consist primarily of fixed assets and receivables and segment liabilities mainly comprise of operating liabilities. As all activities are carried out in Hong Kong, no geographical segment information is provided.

2 Principal accounting policies (Continued)

(k) Impairment of assets

All assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3 Critical accounting estimates and judgements

The preparation of the Financial Statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the RC Operation's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

The RC Operations make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The fair value of each investment property individually is determined at each balance sheet date by independent valuers based on market value for existing use basis using a combination of methodologies, namely Discounted Cash Flow Analysis, Capitalisation of Income Approach and Direct Comparison. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

In addition, in arriving at the market values, the independent valuers have assumed, *inter alia*, that legal titles to the properties are in place as of the respective property valuation date, notwithstanding that legal titles to List 2 Properties had not been granted as of the balance sheet dates presented in the Financial Statements.

The carrying amounts of trade and other receivables, security deposits and other payables are assumed to approximate to their fair values. The fair value is estimated by discounting the future contractual cash flows at the current market interest rate that is available to RC Operations.

4 Financial risk management

The RC Operations have no material financial instruments. The major financial risks to which the RC Operations are exposed included:

(i) Credit risk

In the normal course of business, the RC Operations may be exposed to credit risk from debtors. The risk is managed with a credit policy that monitors exposures and ensures that the RC Operations do not have concentration of credit risk.

The RC Operations have policies in place to assess the credit history of new tenants. In addition, there are also policies whereby two months rental deposits or equivalent rental guarantee by a bank are received before signing the formal tenancy agreement.

4 Financial risk management (Continued)

(ii) Interest rate risk

As the RC Operations have no significant interest-bearing assets, the RC Operations income and operating cash flows are substantially independent of changes in market interest rates.

(iii) Insurable risks

Insurance policies of the RC Operations are reviewed regularly by independent insurance advisors and include mainly property damage all risks and business interruption insurance since 19 November 2004 and public liability insurance.

5 Turnover and total revenues

Turnover and other revenues recognised during the Relevant Periods comprise:

	Year ended 31 March			Four months ended 31 July	
	2003	2004	2005	2004	2005
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Turnover					
Rental income from retail properties	2,491	2,291	2,525	820	857
Gross receipts from carparks	1,012	946	938	312	289
	3,503	3,237	3,463	1,132	1,146
Other revenues					
Air-conditioning service fees	258	252	225	75	73
Other property related income	8	9	8	2	3
	266	261	233	77	76
Total revenues	3,769	3,498	3,696	1,209	1,222

Lease arrangements with tenants provide for base monthly rental charges and recovery of certain outgoings. Additional rents based on business turnover applies to some leases.

Rental income included contingent rents of HK$21 million, HK$16 million, HK$22 million, HK$5 million and HK$5 million for the years ended 31 March 2003, 2004, 2005 and the four months ended 31 July 2004 and 2005, respectively.

The future minimum rental income receivable under non-cancellable leases (excluding licences) as at the balance sheet dates is as follows:

	Year ended 31 March			Four months ended 31 July	
	2003	2004	2005	2004	2005
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Within one year	1,494	1,398	1,576	1,401	1,491
Between two and five years	2,629	2,055	1,588	1,815	1,313
Beyond five years	117	17	12	16	6
	4,240	3,470	3,176	3,232	2,810

Most of the operating leases (excluding licences) are fixed terms and for terms of 3 years.

6 Segment information

	Retail Properties					Carparks					Total				
	Year ended 31 March			Four months ended 31 July		Year ended 31 March			Four months ended 31 July		Year ended 31 March			Four months ended 31 July	
	2003	2004	2005	2004	2005	2003	2004	2005	2004	2005	2003	2004	2005	2004	2005
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Turnover	2,491	2,291	2,525	820	857	1,012	946	938	312	289	3,503	3,237	3,463	1,132	1,146
Segment results	1,203	1,021	1,327	427	508	530	485	486	176	133	1,733	1,506	1,813	603	641
(Decrease)/increase in fair values of investment properties	(1,511)	7,284	1,112	(1,264)	152	(791)	1,631	(356)	(383)	69	(2,302)	8,915	756	(1,647)	221
Profit/(loss) for the year/period	(308)	8,305	2,439	(837)	660	(261)	2,116	130	(207)	202	(569)	10,421	2,569	(1,044)	862
Segment assets	17,553	25,758	27,159	24,643	27,323	4,637	6,684	6,492	6,399	6,573	22,190	32,442	33,651	31,042	33,896
Segment liabilities	931	851	739	800	683	45	35	27	28	26	976	886	766	828	709
Capital expenditure	1,443	945	324	130	2	709	422	165	90	—	2,152	1,367	489	220	2
Depreciation	13	11	13	3	4	—	—	1	—	1	13	11	14	3	5

7 Direct outgoings

	Year ended 31 March			Four months ended 31 July	
	2003	2004	2005	2004	2005
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Staff costs, mainly wages and salaries (note(a))	484	382	264	89	81
Property managers' fees and related expenses	401	409	405	131	133
Utilities	350	355	362	136	136
Cleansing and security	211	235	252	79	81
Repairs and maintenance	230	210	162	51	59
Government rent and rates	72	78	69	22	24
Estate promotion and marketing expenses	99	131	140	40	4
Other direct outgoings	67	75	121	25	31
	1,914	1,875	1,775	573	549
Note (a):					
Analysis of staff costs					
Estate management	135	116	101	26	29
Maintenance and improvement	173	163	81	27	19
Rent valuation	44	37	19	7	4
Letting	64	52	33	10	10
	416	368	234	70	62
Other direct staff costs	95	36	37	22	19
Less: staff costs capitalised under investment properties	(27)	(22)	(7)	(3)	—
	484	382	264	89	81

8 General and administrative expenses

	Year ended 31 March			Four months ended 31 July	
	2003	2004	2005	2004	2005
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Headquarter staff costs, mainly wages and salaries	48	49	54	15	20
Central administration overheads	74	68	54	18	12
	122	117	108	33	32

9 (Loss)/profit for the year/period retained by the HKHA

	Year ended 31 March			Four months ended 31 July	
	2003	2004	2005	2004	2005
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
(Loss)/profit for the year/period is stated after charging:					
Depreciation of property, plant and equipment included in other direct outgoings	13	11	14	3	5

10 Taxation

In accordance with section 34 of the Housing Ordinance, the HKHA is exempted from taxation under the Inland Revenue Ordinance (Chapter 112). Accordingly, no taxation has been charged to the Financial Statements during the Relevant Periods. Details of taxation status following the Divestment are set out in note 18(b).

11 Investment properties

(a) Movement of investment properties, at fair values

	Retail properties	Carparks	Total
	HK$'M	HK$'M	HK$'M
At 1 April 2002	17,492	4,662	22,154
Additions	1,440	709	2,149
Change in fair values	(1,511)	(791)	(2,302)
At 31 March 2003	17,421	4,580	22,001
At 1 April 2003	17,421	4,580	22,001
Additions	940	422	1,362
Change in fair values	7,284	1,631	8,915
At 31 March 2004	25,645	6,633	32,278
At 1 April 2004	25,645	6,633	32,278
Additions	297	165	462
Write-off due to redevelopment	(20)	—	(20)
Change in fair values	1,112	(356)	756
At 31 March 2005	27,034	6,442	33,476
At 1 April 2005	27,034	6,442	33,476
Additions	—	—	—
Change in fair values	152	69	221
At 31 July 2005	27,186	6,511	33,697

(b) Fair values of investment properties

Investment properties include the retail and carpark properties comprising the List 1 and List 2 Properties (defined in the General Terms section of the Offering Circular) which are to be divested into The Link REIT (note 1(a)). Pursuant to the Property Agreement in respect of the sale and purchase of the Properties between PropCo and the HKHA, the HKHA agreed to conditionally transfer legal and beneficial ownership of most of the List 1 Properties and beneficial ownership of the remaining List 1 and all List 2 Properties to PropCo. The HKHA agreed to transfer to PropCo legal titles to the remaining List 1 Properties once certain technicalities affecting the transfer of these legal titles have been addressed. Pursuant to the Government Agreement as further described in the section headed "The Properties and Business" subsection, "The Government Agreement" of the Offering Circular, the Hong Kong Government agreed to grant the necessary government leases to the HKHA in respect of the List 2 Properties as soon as reasonably practicable. Once such government leases are granted, the HKHA is under an obligation in the Property Agreement to assign the legal interest in the List 2 Properties to PropCo. Such assignment will take place in batches. In the case of List 1 Properties, each of them is held under Government Leases granted in favour of HKHA for a fixed term (with renewal rights in one case). For List 2 Properties, the Government has agreed to grant a fixed term of 50 years (with no renewal rights) commencing from the date of grant of the respective Government Leases. Further details are set out in section headed "The Properties, Structure and Acquisition Arrangements" of this Offering Circular.

The investment properties amounting to HK$22,154 million, HK$22,001 million, HK$32,278 million, HK$33,476 million, HK$30,850 million and HK$33,697 million were revalued on a market value basis as at 31 March 2002, 2003, 2004 and 2005, and 31 July 2004 and 2005 respectively, by CB Richard Ellis Limited ("CBRE"), an independent firm of professional valuers.

CBRE valued each property on each of the balance sheet dates presented herein individually based on assessments using a number of methodologies, as set out in Note 3, to arrive at the market valuations of the investment properties. CBRE has made reference to the retail property price indices as published by the Government's Rating and Valuation Department in arriving at their opinion on market values of the investment properties as at 31 March 2002, 2003 and 2004, and 31 July 2004.

11 Investment properties

(b) Fair values of investment properties (Continued)

In arriving at the market values, CBRE has assumed, *inter alia*, that legal titles to the properties are in place as of the respective property valuation date, notwithstanding that legal titles to List 2 Properties had not been granted as of the balance sheet dates presented in the Financial Statements.

12 Property, plant and equipment

	Leasehold improvement	Motor vehicles	Equipment	Total
	HK$'M	HK$'M	HK$'M	HK$'M
Cost				
At 1 April 2002	—	—	70	70
Additions	—	—	3	3
At 31 March 2003	—	—	73	73
Accumulated depreciation				
At 1 April 2002	—	—	39	39
Charge for the year	—	—	13	13
At 31 March 2003	—	—	52	52
Net book value				
At 31 March 2003	—	—	21	21
Cost				
At 1 April 2003	—	—	73	73
Additions	—	—	5	5
At 31 March 2004	—	—	78	78
Accumulated depreciation				
At 1 April 2003	—	—	52	52
Charge for the year	—	—	11	11
At 31 March 2004	—	—	63	63
Net book value				
At 31 March 2004	—	—	15	15
Cost				
At 1 April 2004	—	—	78	78
Additions	4	1	22	27
At 31 March 2005	4	1	100	105
Accumulated depreciation				
At 1 April 2004	—	—	63	63
Charge for the year	3	—	11	14
At 31 March 2005	3	—	74	77
Net book value				
At 31 March 2005	1	1	26	28
Cost				
At 1 April 2005	4	1	100	105
Additions	—	—	2	2
At 31 July 2005	4	1	102	107
Accumulated depreciation				
At 1 April 2005	3	—	74	77
Charge for the period	1	—	4	5
At 31 July 2005	4	—	78	82
Net book value				
At 31 July 2005	—	1	24	25

13 Accounts receivable

Accounts receivable is stated net of provisions of HK$3 million, HK$3 million, HK$3 million and HK$3 million at each of 31 March 2003, 2004, 2005 and at 31 July 2005 respectively.

Monthly rental in respect of retail properties are payable in advance by tenants in accordance with the leasing agreements while monthly gross receipts from carparks are received from the Carpark Operators in two semi-monthly instalments. Approximately 99% of the trade receivables at each of 31 March 2003, 2004, 2005 and at 31 July 2005 were outstanding for less than 90 days.

The carrying amounts of these accounts receivable approximate to their fair values.

14 Account with the HKHA

	Year ended 31 March			Four months ended 31 July
	2003	2004	2005	2005
	HK$'M	HK$'M	HK$'M	HK$'M
At beginning of the year/period, as previously reported	19,655	21,214	23,637	N/A
Effect of change in accounting policy (note 2(b))	1,306	—	7,919	N/A
At beginning of the year/period, as restated	20,961	21,214	31,556	32,885
Net advances from/(to) the HKHA	822	(79)	(1,240)	(560)
(Loss)/profit for the year/period retained by the HKHA	(569)	10,421	2,569	862
At the end of the year/period	21,214	31,556	32,885	33,187

15 Investment property revaluation reserve

	Year ended 31 March			Four months ended 31 July
	2003	2004	2005	2005
	HK$'M	HK$'M	HK$'M	HK$'M
At beginning of the year/period, as previously reported	1,306	—	7,919	N/A
Effect of change in accounting policy (note 2(b))	(1,306)	—	(7,919)	N/A
At beginning of the year/period, as restated	—	—	—	—
At the end of the year/period	—	—	—	—

16 Capital commitments

	As at 31 March			As at 31 July
	2003	2004	2005	2005
	HK$'M	HK$'M	HK$'M	HK$'M
Improvements to existing investment properties				
Authorised but not contracted for	1	—	88	201
Contracted but not provided for	186	69	8	40
	187	69	96	241

17 Related party transactions

The RC Operations is wholly-owned by the HKHA and ultimately by the Hong Kong Government (the "Government"). Transactions between the RC Operations and Government departments, agencies or Government controlled entities, other than those transactions such as the payment of government rent and rates and fees etc. that arise in the normal dealings between the Government and the RC Operations, as well as those between the HKHA and the RC Operations, are considered to be related party transactions pursuant to HKAS 24 "Related Party Disclosures".

Material transactions between the HKHA and the RC Operations have been disclosed in the Financial Statements. In addition, the RC Operations have had the following material related party transactions with the Government during the Relevant Periods:

	Year ended 31 March			Four months ended 31 July	
	2003	2004	2005	2004	2005
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Rental income received from the Government	19	19	21	7	7

18 Events following the Divestment

Following the Divestment of the Properties and listing of The Link REIT as further described in note 1(a), changes to the operational mode and cost structure of the RC Operations are anticipated, including the following which will impact the presentation of the financial results of the RC Operations following the Divestment:

(a) Cost structure

Upon the transfer of the RC Operations to The Link REIT, the RC Operations are managed by the Manager. The HKHA and the Manager have entered into the Service Level Agreement pursuant to which the HKHA will continue to provide the Manager and PropCo with certain operational support in respect of the Properties for a period of time following completion of the Divestment. Services to be provided include management of the property service providers, property management of certain estates, administrative, training and other support services, including IT support. 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 the HKHA. The terms of the Service Level Agreement are set out in the section headed "Operations of the Manager" of the Offering Circular. The above arrangement will replace a substantial portion of the existing cost structure of the RC Operations as are reflected in the Financial Statements. In addition, as the management of the RC Operations will be transferred from the HKHA to The Link REIT, there are likely to be other changes to the operational mode, capital and financing structure, and management of the RC Operations. Post Divestment, certain costs which were not previously incurred in the Financial Statements, including government rents on List 2 Properties, trustee fees, strategic partner fees and finance costs, will be incurred.

(b) Taxation status

The HKHA is exempted from taxation under the Inland Revenue Ordinance as detailed in note 10. Following the Divestment, net income generated by the RC Operations after they are transferred into the PropCo will be subject to Hong Kong profits tax. Accordingly the results of the RC Operations following the Divestment will include provisions for current and deferred taxation.

19 Approval of the Financial Statements

The Financial Statements were approved by the HKHA on 14 November 2005.