



International Property Consultants

Chesterton Petty Limited
16/F CITIC Tower
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Central
Hong Kong

14 November 2005

The Board of Directors
The Link Management Limited
(for itself as manager of The Link Real Estate Investment Trust ("The Link REIT")
and for and on behalf of The Link REIT)

Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited
UBS AG acting through its business entity UBS Investment Bank

Dear Sirs,

Building Consultancy Review Summary

Terms defined in the offering circular dated 14 November 2005 in relation to The Link Real Estate Investment Trust of which this letter forms part have the same meaning in this letter.

1. Introduction

Chesterton Petty Limited was appointed as the Property Consultant to conduct a building consultancy review of the Properties. This letter provides a summary of our approach and findings. In our role as the Property Consultant, we:

- 1 conducted comprehensive building condition surveys on 43 Properties between March 2004 and June 2004 to confirm the structural integrity of the Properties, identify any existing defects and to evaluate the reliability of the information provided to us by HKHA for the purposes of this review. Such information comprised HKHA Status Reports (which were provided by HKHA for each Property, which included, among other things, details of slope information (where relevant), a list of enhancement works that needed to be undertaken to address safety concerns, results of condition surveys carried out by HKHA, a list of latent defects, a list of maintenance items that the Manager may be required to attend to and a summary of Fire Safety (Commercial Premises) Ordinance reports), maintenance records, plans, schematic diagrams, test certificates and maintenance and capital expenditure records and information obtained through interviews of HKHA Staff. 32 of these Properties were selected because they accounted for approximately 47% of the net income of the

Properties for the financial year ended 31 March 2005. An additional 11 Properties were chosen at random for comprehensive building condition surveys;

- 2 conducted re-inspections of the 43 Properties between December 2004 and January 2005 to confirm the validity of the findings of the comprehensive building condition surveys with regard to identified defects and structural integrity;
- 3 conducted re-inspections of the 43 Properties between May 2005 and June 2005 to re-confirm their structural integrity;
- 4 conducted a detailed review of the remaining 137 Properties between March 2004 and June 2004, including site verification inspections to confirm their structural integrity, an evaluation of the reliability of the information provided to us by the HKHA for the purposes of this review and identification of defects associated with the detailed review inspections;
- 5 conducted re-inspections of the remaining 137 Properties between December 2004 and January 2005 to confirm the validity of the detailed review inspections with regard to identified defects and structural integrity;
- 6 conducted re-inspections of the remaining 137 Properties between May 2005 and June 2005 to re-confirm their structural integrity;
- 7 compiled 10-Year Forecasts of Maintenance and Capital Expenditure for each of the Properties; and
- 8 identified areas of deviation from relevant building and building services regulations and codes of practice, including the costs associated with any necessary upgrading of the means of escape, means of access for firefighting, fire resistance, fire service installations and equipment under the Fire Safety (Commercial Premises) Ordinance (as discussed later in this letter).

Any confirmation as to the structural integrity of the Properties is limited to the extent that it can be verified by visual inspection.

2. Conclusion

Condition of the Properties

Based on our comprehensive building condition surveys, detailed reviews and re-inspections, we believe that the Properties are in reasonable condition, consistent with buildings of a similar age, type and usage and that there are no material defects that would impede the transfer of the Properties. The repair, maintenance and capital expenditure forecasts were calculated on the basis of current local market rates and therefore the future expenditure requirements are comparable with the amounts generally required for properties of similar age and commercial usage profile.

In addition, our comprehensive building condition surveys, detailed reviews and re-inspection findings were made available to the Independent Property Valuer and included information on:

- Immediate Building Repair Costs
- Immediate Common Area Repair Costs (External Areas/Miscellaneous/Slopes)
- Immediate Mechanical and Electrical Repair Costs
- 10-Year Forecasts of Building Repair, Maintenance and Capital Expenditure (“Capex”)
- 10-Year Mechanical and Electrical Repair and Maintenance Capex Forecasts
- 10-Year Forecasts of Mechanical and Electrical Repair and Maintenance Recurrent Expenditure
- Fire Safety (Commercial Premises) Ordinance Costs
- Building and Building Services Regulation Compliance Costs

We note, however, that in the comprehensive building condition surveys, detailed reviews and re-inspections, some non-structural discrepancies were identified with HKHA Status Reports (as described above). These discrepancies were in relation to such aspects as the nature and extent of defects, the progress of HKHA's defect rectification works, and slope feature identification numbers. Many of the discrepancies were due to the time lag between the compilation of HKHA Status Reports and the timing of our review. In some cases, these discrepancies had cost implications, which were identified, costed and included in our 10-Year Forecasts of Repair, Maintenance and Capital Expenditure.

Fire Safety Compliance

Our review of fire safety provisions in the Properties revealed that upgrading work would be necessary, at some time in the future, for many of the "prescribed commercial premises" in the portfolio, in order to comply with the Fire Safety (Commercial Premises) Ordinance. However, the need for this upgrading work should not be construed as an indication of any immediate danger. The purpose of the legislation is to provide better protection from the risk of fire for occupants and users of the prescribed commercial premises by bringing existing fire safety provisions in older buildings up to current standards. The estimated costs of compliance with the Fire Safety (Commercial Premises) Ordinance have been documented separately in appendices to our 10-Year Forecasts of Repair, Maintenance and Capital Expenditure.

Building and Building Services Regulation Compliance

HKHA's buildings are exempt from the provisions of the Buildings Ordinance. Despite this exemption, HKHA's buildings are generally designed and built to comply with the building and building services legislation prevailing at the time of construction. However, we did identify some deviations from the legislation applicable to private buildings. The need to rectify such deviations is not an immediate one and the work could be deferred and carried out in conjunction with future alterations or additions. The estimated costs of compliance with such legislation have also been documented separately in appendices to our 10-Year Forecasts of Repair, Maintenance and Capital Expenditure, which have been provided to the Independent Property Valuer.

3. Surveys, Re-inspections and Evaluations Conducted

Comprehensive Building Condition Surveys

The comprehensive building condition surveys carried out on the 43 Properties referred to above were conducted by a Registered Professional Surveyor (Building Surveying) and included an in-depth review of each of the Properties, which covered their fabric, structure and building services installations, to verify their present physical condition.

The comprehensive building condition surveys comprised a visual inspection of the external facades, roofs and internal common areas to establish their overall condition and state of repair. Particular attention was paid to the existence of defects such as cracks, spalled concrete, bulging, exposed and corroded reinforcement, loose/debonded external finishes, defective roof coverings, corrosion and water leakage. All defects identified in the visual inspections were noted and compared with the condition survey results contained in HKHA's Status Reports. Included in HKHA Status Reports are condition survey summaries prepared by HKHA and Fire Safety (Commercial Premises) Ordinance reports, some of which were prepared by HKHA appointed consultants. Where identified defects were documented by HKHA as being defects that would be remedied, they were noted in our comprehensive building condition survey reports. The extent to which such defects had already been rectified was also noted and recorded in our reports. As HKHA has committed to making good these defects, they were not assessed as part of our review. Defects that HKHA indicated would not be remedied or which were missing from HKHA Status Reports were included in our review.

During the course of our comprehensive building condition surveys, we also identified, recorded and assessed the cost of rectification of deviations from current building and building services regulations and codes of practice.

We also conducted a reliability assessment, comparing the information contained in HKHA Status Reports to our survey findings. This included an assessment of the reliability of the HKHA's condition survey summaries and Fire Safety (Commercial Premises) Ordinance reports, many of which were prepared by various third party Consultants engaged by HKHA. In most cases HKHA Status Reports were an accurate reflection of the condition of the Properties. Any discrepancies identified were noted and recorded in our reports.

Detailed Reviews

A detailed review of the remaining 137 Properties was also conducted.

Unlike the Comprehensive Building Condition Surveys, these detailed reviews did not include building condition surveys — however, site inspections were carried out to verify the information contained in HKHA Status Reports on the relevant Properties and an evaluation of the reliability of the information contained in HKHA Status Reports was also conducted. Again, this included an assessment of the reliability of HKHA's condition survey summaries and Fire Safety (Commercial Premises) Ordinance reports. The reliability assessments were carried out by comparing the contents of HKHA Status Reports with our site verification inspection findings.

During the course of our site verification inspections, any defects that were identified as potentially affecting the structural integrity of the relevant Properties but which were not documented in HKHA Status Reports were recorded and assessed. Where such defects were documented by HKHA as defects that would not be rectified prior to divestment, they were recorded in our review and the cost of rectification assessed. Where such defects were documented by HKHA as defects that would be rectified, they were noted in our review. The extent to which such defects had already been rectified was also noted and recorded in our reports. As HKHA has committed to making good these defects, they were not assessed as part of our review.

We did not take into account minor defects that were not identified in HKHA Status Reports and any defects that would not affect the structural integrity were not assessed. Such items were covered in the 10-Year Forecasts of Repair, Maintenance and Capital Expenditure, as discussed below.

Re-inspections

The re-inspections carried out on the 43 Properties between December 2004 and January 2005 were conducted by a Registered Professional Surveyor (Building Surveying) and included an in-depth review of each of the Properties, which covered their fabric, structure and building services installations, to verify their present physical condition.

The re-inspections comprised a visual inspection of the external facades, roofs and internal common areas to re-confirm their overall condition and state of repair. Particular attention was paid to whether or not the previously identified defects still existed and to the identification of any new major defects.

The re-inspections carried out on the remaining 137 Properties between December 2004 and January 2005 were also conducted by a Registered Professional Surveyor (Building Surveying) and comprised a visual inspection of each of the Properties to verify their present physical condition. The visual inspections covered the same areas as the earlier site verification inspections. Particular attention was paid to the structural elements, to whether or not any previously identified defects still existed and to the identification of any new major defects.

The re-inspections carried out on the 180 Properties between May 2005 and June 2005 were conducted by a Registered Professional Surveyor (Building Surveying) and comprised a visual inspection of the structural elements only, to re-confirm the structural integrity of each of the Properties.

10-Year Forecasts of Repair, Maintenance and Capital Expenditure

We prepared 10-Year Forecasts of Repair, Maintenance and Capital Expenditure for all the Properties for the 10 years ending September 2015, including the estimated costs of maintaining the Properties and associated building services installations, based on the maintenance history of the Properties and building services as provided by HKHA, their existing condition, and any valid transferable warranties as notified to us by HKHA.

The following methodologies, among others, were used in preparing the forecasts:

1) Comprehensive Building Condition Surveys and Re-inspections

- Estimated immediate repair costs were based on visual inspection of defects in common and accessible areas of the premises.
- Estimated routine annual maintenance costs were based on the historical data provided by HKHA, the existing site condition and our professional judgment in formulating appropriate maintenance schedules.
- Estimated costs of Fire Safety (Commercial Premises) Ordinance upgrading works were based on information contained in reports prepared by HKHA or HKHA's third party consultants, where available. The first of the Fire Safety (Commercial Premises) Ordinance reports were completed in 2003. It is our view that these reports remain valid today. In the absence of such a report for any of the Properties, estimated costs were based on our own assessments.
- Estimated costs of rectifying identified deviations from building or building services regulations were based on current legislation and codes of practice and our own assessments.
- Estimated costs were based on current market rates, with the following inflation rates being used to project expenditure over the next 10 years.

<u>Year</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
Inflation Rate.....	1.3%	2.1%	2.5%	2.4%	2.6%	2.7%	2.5%	2.5%	2.5%	2.5%

- The estimated expenditure on repairs and maintenance was calculated on the basis of sufficient work being carried out to maintain the buildings in good condition, consistent with private sector maintenance practices.

2) Detailed Reviews and Re-inspections

- Immediate repair costs of non-structural defects were not assessed as the detailed reviews did not include a building condition survey.
- Otherwise, the basis and assumptions used in preparation of the forecasts was the same as for the comprehensive building condition surveys.

To obtain background information for the preparation of the forecasts for all of the Properties, we reviewed the maintenance records, budgets and available relevant current test certificates provided to us by HKHA.

Our 10-Year Forecasts of Repair, Maintenance and Capital Expenditure were made available to the Independent Property Valuer to facilitate the valuation of the Properties. The information made available also included estimates of costs required to rectify identified building and building services regulation contraventions and the estimated cost of Fire Safety (Commercial Premises) Ordinance upgrading works. In both cases, the cost estimates have been attached as appendices to the 10-Year Forecasts of Repair, Maintenance and Capital Expenditure and a consolidated summary of our estimates of repair, and maintenance (operating expenses) and capital expenditure is tabulated below:

Category of Expenditure	1 2005/06 (\$'000)	2 2006/07 (\$'000)	3 2007/08 (\$'000)	4 2008/09 (\$'000)	5 2009/10 (\$'000)	6 2010/11 (\$'000)	7 2011/12 (\$'000)	8 2012/13 (\$'000)	9 2013/14 (\$'000)	10 2014/15 (\$'000)
Repair & Maintenance (Operating expense)	298,373.80	290,790.03	302,637.86	347,851.43	395,016.14	367,151.75	374,038.80	371,730.48	431,422.63	444,567.22
Capital Expenditure	161,218.57	180,003.46	181,493.98	145,753.62	209,920.41	158,553.35	166,510.52	138,490.72	162,863.39	201,166.02

The capital expenditure figures shown above include building and building services expenditure. Building capital expenditure items include re-roofing, internal and external redecoration and replacement of facade finishes. Building services capital expenditure items include replacement of pumps, exhaust fans, A/C chiller plant, switchboards and air-handling units and costs relating to building and building services regulation compliance and Fire Safety (Commercial Premises) Ordinance compliance.

4. Reports Delivered

Reports were prepared in relation to the 43 Properties for which comprehensive building condition surveys were conducted and included:

- A detailed description of our findings
- An assessment of the structural soundness of the relevant Properties
- Plans indicating the location of defects/photographs taken
- Photographs of typical defects
- Recommendations on necessary building repairs/remedial works or on the need for further investigation
- Estimated costs of recommended repairs/remedial works/servicing/replacement
- 10-Year Forecast of Repair, Maintenance and Capital Expenditure for each of the relevant Properties
- Estimated costs of complying with the Fire Safety (Commercial Premises) Ordinance and other legislation, including the Buildings Ordinance and allied regulations, the Electricity Ordinance, the Fire Services Ordinance and the Lifts and Escalators (Safety) Ordinance and with relevant codes of practice, including the Code of Practice for the Provision of Means of Escape in Case of Fire 1996, the Code of Practice on Fire Resisting Construction 1996, the Code of Practice for the Provision of Means of Access for Firefighting and Rescue Purposes and the Design Manual — Barrier Free Access 1997.

We also prepared detailed review reports for the remaining 137 Properties, which included:

- A detailed description of our findings
- An assessment of the structural soundness of the relevant Properties
- Photographs of defects that could affect the structural integrity of such facilities
- Checklists covering the scope of detailed reviews
- 10-Year Forecast of Repair, Maintenance and Capital Expenditure

- Estimated costs of complying with the Fire Safety (Commercial Premises) Ordinance for the relevant Properties. Estimated costs of complying with other current building and building services regulations and codes of practice have also been included, on the basis of information gathered during the site verification inspections

Addendum Reports were prepared in relation to the re-inspections of all 180 Properties between December 2004 and January 2005 and included:

- A detailed description of our findings
- An assessment of the structural soundness of the relevant Properties
- Plans indicating the location of defects/photographs taken
- Photographs of new defects that could affect the structural integrity of the Properties
- Estimated costs of recommended repairs/remedial works/servicing/replacement
- Revised 10-Year Forecast of Repair, Maintenance and Capital Expenditure for each of the relevant Properties
- Estimated costs of complying with the Fire Safety (Commercial Premises) Ordinance and other legislation, including the Buildings Ordinance and allied regulations, the Electricity Ordinance, the Fire Services Ordinance and the Lifts and Escalators (Safety) Ordinance and with relevant codes of practice, including the Code of Practice for the Provision of Means of Escape in Case of Fire 1996, the Code of Practice on Fire Resisting Construction 1996, the Code of Practice for the Provision of Means of Access for Firefighting and Rescue Purposes and the Design Manual — Barrier Free Access 1997.

Addendum Reports were also prepared in relation to the re-inspections of all 180 Properties between May 2005 and June 2005 and included:

- A detailed description of our findings
- An assessment of the structural soundness of the relevant Properties

5. Condition of the Properties

As noted above, our comprehensive building condition surveys and re-inspections of the 43 Properties revealed that those Properties were in reasonable condition, consistent with buildings of a similar age, type and usage and that there were no material defects that would impede the transfer of these Properties. Further, when we compared our comprehensive building condition survey results with HKHA Status Reports, we did not find any discrepancies in HKHA Status Reports relating to defects that might affect the structural integrity of any of the Properties.

In carrying out our detailed reviews, site verification inspections and re-inspections were limited to the structural elements of the Properties and to review of any non-structural elements that were identified in HKHA Status Reports as requiring attention. During the course of our site verification inspections and re-inspections we did not find any discrepancies with HKHA Status Reports relating to defects that might affect the structural integrity of any of the Properties.

However, in the comprehensive building condition surveys, detailed reviews and re-inspections, some non-structural discrepancies were identified with HKHA Status Reports. These discrepancies were in relation to such aspects as the nature and extent of defects, the progress of HKHA's defect rectification works, and slope feature identification numbers. Many of the discrepancies were due to the time lag between the compilation of HKHA Status Reports and the timing of our reviews. In some cases these discrepancies had cost implications which were identified and costed and included in our 10-Year Forecasts of Repair, Maintenance and Capital Expenditure.

As part of the comprehensive building condition surveys we carried out an evaluation of the reliability of HKHA Status Reports. We have concluded that HKHA Status Reports for the remaining

137 Properties that were subject to detailed reviews are sufficient for the purposes for which they are used in the context of our assignment.

6. Building and Building Services Regulation Compliance, including Fire Safety (Commercial Premises) Ordinance Compliance

As part of our reviews we also estimated the cost of compliance with current building and building services regulations and codes of practice.

Building and Building Services Regulation Compliance

In the case of comprehensive building condition surveys, we inspected all accessible areas of the buildings and we were able to assess all compliance costs. With detailed reviews, our inspections were limited to those areas required to assess the structural integrity of the Properties and those identified in HKHA Status Reports. As such, the cost of compliance for detailed reviews was limited to the areas inspected. With regard to the December 2004 to January 2005 re-inspections the non-compliance items identified in our comprehensive building condition surveys and detailed reviews were checked to confirm the status of these items. During the course of these re-inspections, if additional non-compliance items were identified, the cost of rectification was assessed.

HKHA is not obliged to comply with, and is exempt from the requirements of, the Buildings Ordinance, allied regulations and codes of practice applicable to private buildings. Such exemptions do not extend to The Link REIT.

Despite the available exemption, HKHA's buildings are generally designed and built to comply with the building and building services legislation prevailing at the time of construction. A requirement of the Buildings Ordinance is that an owner who wishes to make alterations or additions to its properties must submit plans of the proposals to the Buildings Department for prior approval and consent. Upon completion of the divestment exercise, The Link REIT will be obliged to comply with the Buildings Ordinance and other legislation applicable to private buildings. Consequently, plans of any proposed alterations and additions to the Properties will need to be submitted to the Buildings Department for approval and consent prior to the commencement of such works.

As part of our Building Consultancy Review of the Properties, we identified areas of deviation from the Buildings Ordinance, allied regulations and codes of practice. The estimated rectification costs of such deviations have been documented separately in appendices to our 10-Year Forecasts of Repair, Maintenance and Capital Expenditure.

Fire Safety Review

In 1997, the Government introduced the Fire Safety (Commercial Premises) Ordinance, which required existing commercial buildings, including HKHA's buildings, to be upgraded to meet current standards in relation to fire safety.

In response, HKHA appointed third party building surveying consultants to study and advise on the necessary enhancement works to "prescribed commercial premises" within the Properties under the Fire Safety (Commercial Premises) Ordinance. "Prescribed commercial premises" are defined under the Fire Safety (Commercial Premises) Ordinance as including shopping arcades, supermarkets, off-course betting centres, banks and certain jewellery/goldsmith premises. The consultants identified and produced reports on prescribed commercial premises in some 80 Housing Estates ("Fire Safety Survey Reports") which covered the following:

- Detailed site survey and checking of existing records to verify the sizes, dimensions, construction, fire service provisions, usage and other features of the prescribed commercial premises having a bearing on the application of the Fire Safety (Commercial Premises) Ordinance.
- Advice to HKHA on any deficiencies in the relevant Properties with respect to means of escape, means of access, fire resisting construction and fire service installations and equipment.

- Feasibility studies and advice to HKHA on the various options for implementing the necessary fire safety enhancement works to meet the standards laid down in the Fire Safety (Commercial Premises) Ordinance and the time and cost of each option.

These reports were provided to us as part of our review. We reviewed the summary of the Fire Safety Survey Reports covering the identified deficiencies, feasibility studies and enhancement options, including cost estimates. The first of the Fire Safety Survey Reports were completed in 2003. It is our view that the reports are still valid today.

We also prepared a list of those Properties that were not covered by these reports and identified any fire safety deficiencies at such Properties. A number of older Properties have now been modified to comply with the Fire Safety (Commercial Premises) Ordinance while some newer Properties, which were designed to the current standards, comply with the ordinance. Where the prescribed commercial premises in the Properties did not meet the current standards we assessed the cost of the required fire safety enhancement works.

All costs associated with the Fire Safety (Commercial Premises) Ordinance requirements have been documented separately from our 10-Year Forecasts of Repair, Maintenance and Capital Expenditure.

7. Information Provided to Independent Property Valuer

Our comprehensive building condition survey, detailed review and addendum reports were made available to the Independent Property Valuer.

With the exception of the assessment of the immediate and 10-year slope maintenance costs, all other costs were specific to the Properties. We provided the Independent Property Valuer with 10-Year forecasts of maintenance and capital expenditure for each of the Properties. The immediate cost of repairs to common areas and the slope maintenance costs were not specific to the Properties and apportionment was necessary to quantify the likely levels of contribution. We also assessed the immediate and 10-year slope maintenance costs that The Link REIT would reasonably be expected to contribute to.

8. Limiting Conditions

In carrying out our review, we have relied upon HKHA Status Reports, maintenance records, plans, schematic diagrams, test certificates and maintenance and capital expenditure records provided to us by HKHA, which we have supplemented with interviews of HKHA and The Link Management Limited staff, and independently verified through physical site inspections and verifications, re-inspections and reliability assessments (which compared the information contained in HKHA Status Reports and Ring Fencing Reports (which contained information on the age, size, type of facilities, property management boundaries of the Properties and, in the case of List 1 Properties, the Deed of Mutual Covenant) to our own survey findings). While we believe this information to be accurate, our review, including the comprehensive building condition surveys, detailed reviews and re-inspections, was conducted on a purely visual basis, without testing, opening-up or investigation and we cannot accept responsibility for the condition of concealed or inaccessible parts of buildings or for the information provided to us by HKHA with respect to 5-year budgets for slope repairs and enhancement works.

In addition, our review of the HKHA Status Reports and Ring Fencing Reports in connection with our review of the Properties was conducted between March and August 2004, concluding before 30 September 2004.

As changes to these reports were made after our review, including the re-inspections, it was necessary for HKHA to provide such information to us so that we could incorporate any changes in our reports. Although HKHA has confirmed that it specifically notified us of all material changes made to the HKHA Status Reports and Ring Fencing Reports up to and including 9 September 2005, there can be no assurance that all such information was provided to us. When notified of changes to the HKHA

Status Reports and Ring Fencing Reports, we reviewed the relevant reports again, incorporated necessary changes into our Building Consultancy Forecasts and passed any relevant changes up to and including 9 September 2005 to the Independent Property Valuer for inclusion in its valuation of the Properties.

Yours faithfully
For and on behalf of
Chesterton Petty Limited

David Connell
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