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Annual Report 2022/2023

**Strategic Report**

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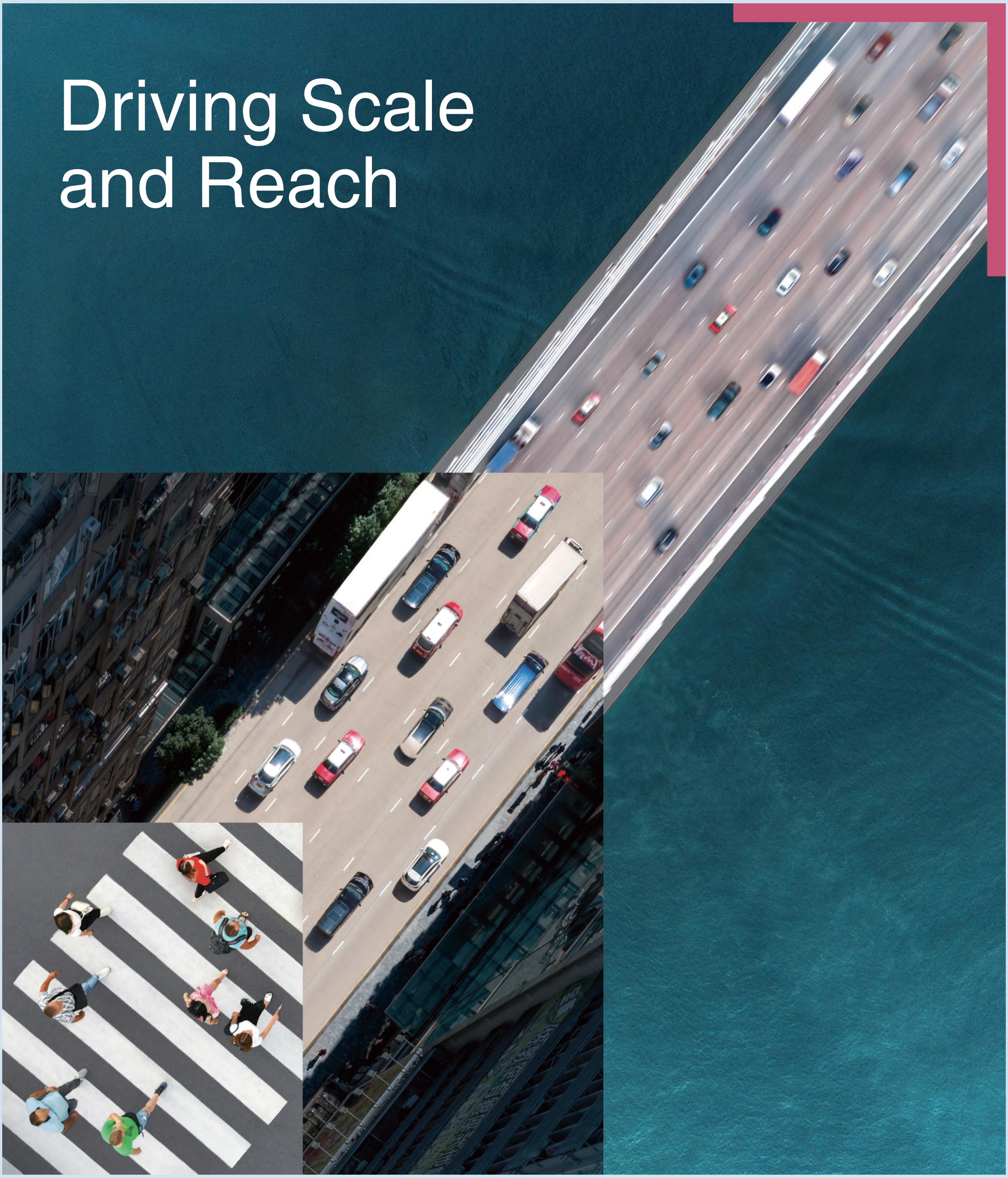
3 Governance

Link Real Estate Investment Trust | **Stock code: 823**

# Driving Scale and Reach



# SCALE AND REACH: SHAPING **APAC REAL ESTATE INVESTMENT**


**347 Kent Street, Sydney, Australia**

# About Our Report

Our integrated report showcases how we fulfil our purpose – We Link People to a Brighter Future – by presenting qualitative and quantitative data communicating how we position Link for success across our markets in the ever-evolving connected landscape.

This integrated report and consolidated financial statements for 2022/2023 were prepared by management, endorsed by the Audit and Risk Management Committee (ARMC) and approved by the Board. They have been subject to both internal and external review. The content substantially conforms with the International Integrated Reporting Council's (IIRC) <IR> Framework. We believe this report offers a balanced, fair account of the Group's 2022/2023 performance, including material events up to the approval date, 31 May 2023. While disclosing our strategic plans, we exercised judgement to avoid compromising our competitive edge.

## Reporting Boundary

Our 2022/2023 Integrated Report aims to concisely communicate how Link's strategy and business model impact value creation over time, considering our external environment, material matters, principal risks and the associated opportunities. Additionally, we offer a succinct overview of our operational performance, governance and risk management practices for the financial year.

## Materiality

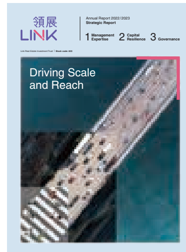
The topics discussed in this report reflect the issues that could impact the role we play in society, as well as how our business deals with evolving market dynamics and allocates resources to ensure we deliver our value. Every three years, we conduct a detailed materiality assessment to identify the material issues that could, in our judgement, significantly impact the value we create for our stakeholders. For 2022/2023, we have reviewed and updated the materiality matrix and the content of this report is based on the outcome of that assessment.

## Combined Assurance

We use a combined assurance model for assurance from management and internal and external providers. PricewaterhouseCoopers audited our 2022/2023 consolidated financial statements and subsequently gave an unmodified opinion thereon. Ernst and Young undertook an independent limited assurance engagement of selected metrics relating to Link's material ESG key performance indicators; further information is provided in our 2022/2023 Sustainability Compendium. The material ESG key performance indicators and the Sustainability Compendium have been approved by the Board. The Group's internal audit function assesses financial, operating, compliance and risk management controls.

The Sustainability Compendium, which does not form part of, but which is intended to complement our Integrated Annual Report, provides more details on our Sustainability Strategy, as well as approach and performance during the year.

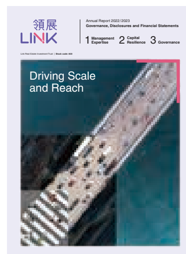
We provide a range of publications so our stakeholders can assess Link's financial and sustainability performance.




## 2022/2023 Strategic Report

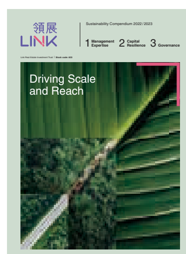
- Integrated Report

  Our report is our primary communication with our stakeholders and is supplemented by additional content-specific disclosures.




## 2022/2023 Governance and Financial Disclosures Report

- Corporate governance report
- Annual consolidated financial statements
- Summarised consolidated annual financial statements




Access the Sustainability Compendium

## 2022/2023 Sustainability Compendium

- Environmental, Social and Governance Reporting Guide (ESG Reporting Guide) of The Stock Exchange of Hong Kong Limited
- Global Reporting Initiative Sustainability Reporting Standards (GRI Standards)
- International Sustainability Standards Board (ISSB) Exposure Draft IFRS S2 Climate-related Disclosures
- Task Force on Climate-related Financial Disclosures (TCFD)

# Link At A Glance

Link is a leading real estate investor and manager in the APAC region, with a diversified portfolio including retail, car parks and related business, offices and logistics assets spanning Hong Kong, Mainland China, Australia, Singapore, and the UK, with more than 1,300 Linkers working together to achieve our vision.

**Vision**

## To be a world class real estate investor and manager, serving and improving the lives of those around us

**Purpose**

## We Link People to a Brighter Future

**Hong Kong**

Retail[1], Office, Car Parks and Related Business

| Properties | 2022/2023 Revenue | No. of Employees | No. of Leases |
|---|---|---|---|
| 130[1] | HK$10,041M | 985 | 9,562 |

**Mainland China**

Retail, Office and Logistics

| Properties | 2022/2023 Revenue | No. of Employees | No. of Leases |
|---|---|---|---|
| 12[2] | HK$1,545M | 214 | 1,261 |

**Australia, Singapore & the UK**

Retail and Office

| Properties | 2022/2023 Revenue | No. of Employees | No. of Leases |
|---|---|---|---|
| 12 | HK$648M | 133 | 1,129 |

Notes:

(1) Includes a parcel of non-office commercial-use land off Anderson Road, Kwun Tong.

(2) Includes two logistics assets in Changshu, with acquisition completed in April and May 2023, respectively.

# Your Trusted Partner in APAC Real Estate

The **only internally managed**, the **most liquid** and the **largest REIT** in terms of market capitalisation in Asia. Listed in 2005 as the **first REIT** in Hong Kong

Delivered a **compound annual return** of approximately 14% since IPO

A constituent of the **Hong Kong securities market benchmark** Hang Seng Index and major sustainability indices

**100% free float** held by public and institutional investors

## What Makes Us Different

Our ability to innovate and adapt helps us to consistently address the evolving needs of our business partners and the communities we serve.

### Management Expertise

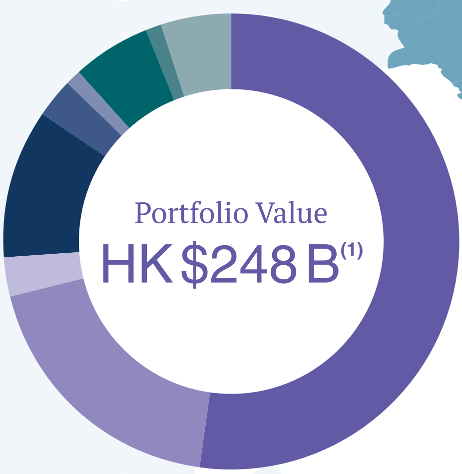
- >94% of our asset enhancement projects since 2008/2009 achieved double-digit ROI
- 17 year track record of revenue and NPI growth

### Capital Resilience

- Net gearing ratio decreased to 17.8%
- No refinancing needs in the next 12 months

### Robust Corporate Governance

- Majority independent board with no controlling unitholder
- Comprehensive risk management system




- 52.4% Hong Kong Retail
- 18.8% Hong Kong Car Parks and Related Business[(2)]
- 2.9% Hong Kong Office
- 10.6% Mainland China Retail
- 2.6% Mainland China Office
- 1.2% Mainland China Logistics
- 5.5% Singapore Retail
- 1.2% Australia Retail
- 4.8% International Office

Notes:

(1) As at 31 March 2023, the total valuation of investment properties, plus 50% value of Qibao Vanke Plaza, 49.9% value in the prime office portfolio in Sydney and Melbourne, and the agreed property value in Mainland China logistics assets in Changshu which was announced on 12 May 2022, on a pro-forma basis.

(2) Including two car park/car service centres and godown buildings in Hong Kong.

# Performance Highlights

Link's strong financial performance in 2022/2023 amidst pandemic and economic challenges showcases our resilient business model and our unwavering commitment to delivering value to our stakeholders.

As the most liquid and largest REIT in Asia in terms of market capitalisation, Link has maintained an excellent track record of delivering sustainable returns and portfolio growth for our unitholders and stakeholders, through investing in and operating quality real estate assets.

## Financial Highlights

| Revenue (HK$ million) | Net Property Income (HK$ million) | Distribution per Unit (HK¢) | Net Asset Value per Unit (HK$) |
|---|---|---|---|
| 12,234 | 9,198 | 274.31 | 73.98 |

Despite operating challenges brought about by the pandemic, we continue to redeploy our capital for quality growth and risk diversification. During 2022/2023, we seized several opportunities and diversified into new arenas, from logistics in Mainland China, retail and office portfolios in Australia to retail in Singapore.

Under our Link 3.0 strategy, we aim to create value through active management, portfolio optimisation and diversification. We remain committed to driving organic growth, leveraging the management capabilities we have developed since our listing in 2005. We also plan to introduce an asset-lighter approach, supplementing our continued focus on increasing our resilience as we further diversify. These efforts underscore our relentless pursuit of excellence and our commitment to preserving our stakeholders' trust.

**JUN 2022**

- Completion of acquisition of a 49.9% interest in a trust which owns interests in **prime office assets in Australia**
- **New senior team on board,** formal management committees including, corporate, regional and functional committee set up. Third-party capital team fully operational

151 Clarence Street, Sydney, Australia

**JUL 2022**

Completion of acquisition of **50% interests in three retail properties in Sydney, Australia**

**AUG 2022**

The successful tender for a **site** in Hong Kong where we will develop a non-discretionary retail asset and with strong synergy with our existing portfolio

First retail development project in Hong Kong

## Occupancy Rates

We own and manage a diversified and high-quality portfolio including retail, car parks and related business, offices and logistics assets across Hong Kong, Mainland China, Australia, Singapore and the UK. With our core strengths of portfolio management, capital management and asset management, we unlock growth opportunities and provide continued and long-term business sustainability.

### Retail

| Hong Kong | Mainland China | Australia | Singapore[1] |
|---|---|---|---|
| 98.0% | 95.2% | 96.9% | 99.9% |

### Office

| Hong Kong | Mainland China | Australia & United Kingdom |
|---|---|---|
| 98.2% | 95.5% | ~90% |

### Logistics

| Mainland China |
|---|
| 100.0% |

Note:
(1) Committed occupancy as at 31 March 2023.

**OCT 2022**

**Diversification continues to contribute:** Hong Kong retail and carpark performance demonstrated resilient growth; new assets (Mainland China logistics, Australia retail and office) started to contribute to revenue to provide diversification benefits


Lok Fu Place, Hong Kong, China

**DEC 2022**

Completion of the issue of HK$3.3B 4.50% **Guaranteed Convertible Bonds** due 2027


Changshu Warehouse, Changshu South, China

**MAR 2023**

- Completion of **the largest-ever Asian real estate sector rights issue**
- Completion of **the first acquisition of two assets in Singapore:** Acquired at ~6.1% discount to book value with management rights to third-party asset, on-boarded a team of 130+ staff to set up regional office and built a roadmap to initiate third-party capital business
- **Link revamped strategy announced:** Link 3.0 strategy is structured to ensure continue delivery of unitholder value and distribution


Swing By @ Thomson Plaza, Singapore

**APR/MAY 2023**

Completion of the acquisition of **two logistics properties in Changshu, Mainland China**

# Our Key Stakeholders

Stakeholder engagement is instrumental in guiding our value creation process. Understanding our stakeholders' expectations directly informs our business strategy, influencing key decisions and ensuring operational continuity.

Our strategic engagement, fortified by our 'Business as Mutual' mindset, helps identify and address material risks. This structured approach facilitates deep listening, providing context to potential business implications and stakeholder relationships. By incorporating insights from business partners, tenants, shareholders, suppliers, regulators, and community groups, we foster collaborative solutions, enhancing performance across both local and enterprise levels of our organisation.


Tin Shui Shopping Centre, Hong Kong, China

## Unitholders

### Why We Engage

Being 100% free float and with no majority unitholder, continuous Unitholder support and alignment is vital for our long-term business sustainability

**How We Engage**

- Transparent, regular financial reports
- Proactive investor meetings
- Interactive AGM

**Value Created**

- Compound annual return of 14% since IPO
- Consistent, attractive returns via a robust real estate portfolio
- Enhanced value driven by strategic diversification

**Interest**

- Link's financial health
- Robust risk management strategies
- Strategic growth and investment opportunities

## Capital Partners

### Why We Engage

Synchronisation with capital partners ensures we meet their specific return profiles and maintain robust balance sheet

**How We Engage**

- Regular financial and strategic updates
- Structured meetings to discuss performance and strategy
- Comprehensive documentation on risk management and investment strategies

**Value Created**

- Access to broader investment opportunities, leveraging pooled capital
- Portfolio diversification, enhancing risk mitigation and potential returns

**Interest**

- Achieving risk-adjusted returns
- Transparent communication on performance and strategies
- Strategic alignment on investment philosophies

## Operational Partners

### Why We Engage

Operational partners play a pivotal role, necessitating alignment on service quality, processes, procedures, and return expectations

**How We Engage**

- Regular strategic meetings to review performance
- Transparent contracts articulating expectations and deliverables
- Collaborative training and knowledge sharing sessions

**Value Created**

- Enhanced tenant satisfaction and retention
- Efficient operation and maintenance of properties

**Interest**

- Fair contract execution and prompt payment
- Clarity in communication and expectations
- Opportunities for strategic growth and collaboration

## Employees

### Why We Engage

Strategic engagement with employees enhances motivation, skills, and commitment

**How We Engage**

- Regular strategic updates and team meetings
- Employee development programmes
- Employee engagement initiatives
- Employee satisfaction surveys

**Value Created**

- Improved employee retention
- Highly skilled and motivated workforce

**Interest**

- Career growth and development opportunities
- Work-life balance
- Competitive compensation and benefits

## Tenants

### Why We Engage

Tenants, driving revenue, require sustainable places to do business

**How We Engage**

- Regular communication on property-related issues
- Tenant satisfaction surveys
- Regular property maintenance and upgrades

**Value Created**

- Long-term leases secured by tenant satisfaction
- Positive referrals attracting new prospects

**Interest**

- Property maintenance and security
- Competitive rental rates
- Flexibility in lease terms

## Suppliers and Contractors

### Why We Engage

Suppliers and contractors ensure the quality of Link's properties are consistent and meet expectations

**How We Engage**

- Regular meetings and communication
- Fair and transparent bidding processes
- Timely payments

**Value Created**

- Reliable supply chain
- Cost savings due to good relationships and scalability of services

**Interest**

- Timely payments
- Fair contract terms
- Ongoing business relationships

## Community and Shoppers

### Why We Engage

Community members and shoppers are the ultimate demand drivers and dictate property appeal and community contribution

**How We Engage**

- Surveys and feedback forms for customer satisfaction
- Social media engagement and PR activities
- Community events, promotions, and consultations

**Value Created**

- A vibrant shopping environment driving footfall and tenant sales
- Positive customer experiences fostering repeat visits and referrals
- Supportive local communities facilitating smoother project execution

**Interest**

- Variety, quality, and affordability of retail offerings
- Cleanliness, safety, and accessibility of the shopping environment
- Sustainable and socially responsible shopping centres
- Link's corporate social responsibility initiatives and community contributions

# Our Approach to Value Creation

Link, a leading APAC real estate investor and manager, creates value through a robust, stakeholder-centric strategy aligned with the Integrated Reporting <IR> Framework.

## Our Inputs

**Financial Capital**
We manage capital carefully, providing consistent returns for investors and meeting specific return profiles for our capital partners. This ensures financial sustainability.

**Portfolio Capital**
Our properties, maintained to high standards together with operational partners, are key value creators, appealing to both tenants and shoppers.

**Talent Capital**
Investing in our employees' growth and development fosters a culture of innovation and excellence, driving our success through a highly skilled and motivated workforce.

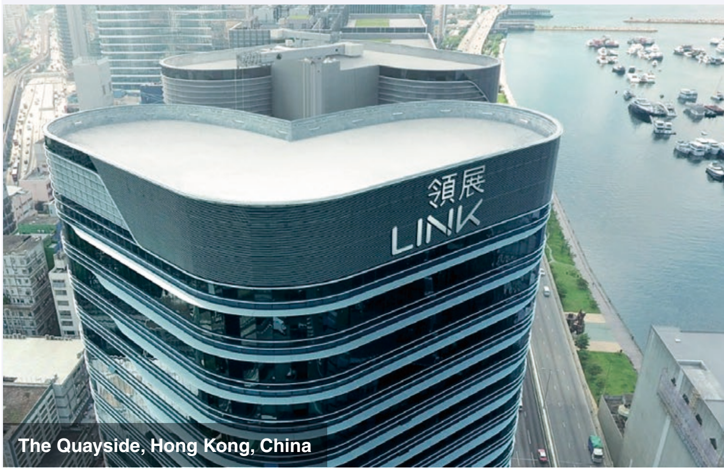
**Social & Relationship Capital**
Strong relationships with tenants, community members, shoppers, suppliers, and contractors are vital, with a focus on satisfaction, engagement, and fair dealings.

**Natural Capital**
We prioritise environmentally friendly practices in property management, conserving resources, reducing our carbon footprint, and appealing to eco-conscious stakeholders.

**Innovation Capital**
Our market insights and property management expertise enable us to stay ahead of trends, innovate, and maintain our industry leadership.

## Our Value Chain

"Link manages a diverse real estate portfolio across the APAC region and various asset classes. With an emphasis on sustainability and value creation, we ensure our portfolio remains productive and resilient, yielding consistent returns. This robust model positions Link as a leader in the APAC real estate landscape."



The Quayside, Hong Kong, China

## Governance and Risk

**Governance**
We operate in compliance with regulation, uphold ethical standards, and maintain transparency, preserving our reputation and fostering trust with stakeholders.

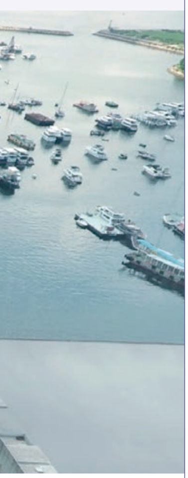
**Risk Governance**
Link's value creation strategy is an integrated approach leveraging various forms of capital to deliver sustainable growth and returns for all stakeholders.

*See page 32 for further details*

## How We Measure the Value We Create

Value creation in Link's business model is quantified using a balanced set of financial and non-financial indicators:

**1. Financial Indicators**
- Return on Investment (ROI)
- Net Property Income
- Asset Value Growth



### 1 Acquisition

Carefully selected properties that align with our investment strategy, ensuring potential for returns and growth.

### 2 Asset Management

Proactive management of properties, focusing on tenant satisfaction, efficient operations, and maximisation of rental income.

### 3 Asset Enhancement

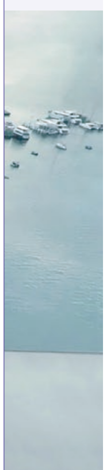
Regular upgrades and renovations to increase property value, ensuring attractiveness to tenants and shoppers.

### 4 Development

Strategically creating new properties, expanding our portfolio, and contributing to community growth.

### 5 Divestment

Periodic evaluation and sale of assets to rebalance the portfolio, realising gains and optimising resource allocation.



## Outputs

Link's strategic business model and capital inputs deliver resilient performance. We provide strong returns and portfolio value enhancement. Our focus on tenant satisfaction and employee engagement contributes to thriving properties and a dynamic workforce.

Our commitment to sustainability leads to improved environmental metrics, and our community-centric approach yields positive local impacts. These multi-faceted outcomes highlight Link's balanced, value-driven strategy in the APAC real estate sector.

### 2. Non-Financial Indicators

- Tenant Satisfaction Scores
- Employee Engagement Levels
- Sustainability Metrics (e.g., Carbon Footprint Reduction)
- Community Impact (e.g., Job Creation, Local Economy Support)

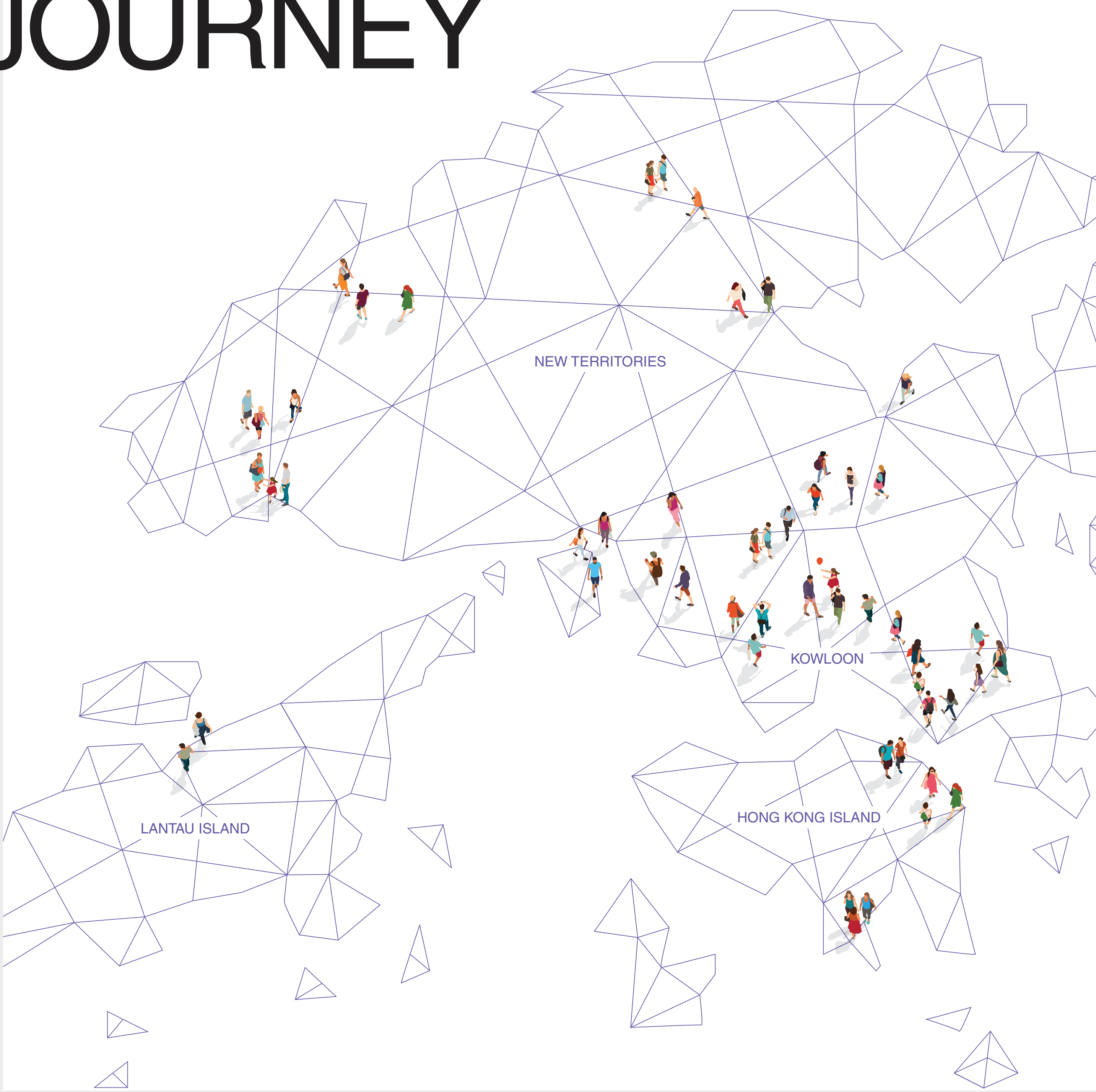
This comprehensive assessment provides a robust measure of Link's value creation.

## Stakeholder Engagement

Stakeholder engagement serves as an important barometer to how we create value. Understanding who our key stakeholders are and what their expectations and aspirations are for Link informs our business strategy and the decisions and actions we take to maintain our license to operate. Strategically, engagement is a key management channel that identifies and reconfirms material issues that pose significant risk to our business continuity.

*See pages 8-9 for further details*

# OUR **GROWTH** AND **TRANSFORMATION** JOURNEY



Over the past 17 years, we have transformed our business from managing primarily non-discretionary retail assets to diversifying across asset classes and geographies. This evolution serves as a testament to our strategic foresight and growth mindset, consistently delivering value to our Unitholders, tenants, communities, and Linkers. As regional markets rebound post-pandemic and adapt to changing lifestyle aspirations, we continue to capitalise on emerging opportunities. As we enter Link 3.0, we aim to continue to drive organic growth and to pursue diversification. Active asset management, portfolio management and prudent capital management remain critical. Together with our plan to introduce an asset-lighter approach by working with capital partners, we are committed to optimising our portfolio in order to increase resilience and provide sustainable return with growth for our Unitholders.

# Link 1.0

## Building Three Core Competences

Link 1.0 established our functional competences in portfolio management, capital management and asset management that matched evolving lifestyle aspirations, introduced wider consumer choice and established new standards of services for Hong Kong non-discretionary retail shopping centres.

**Value created**

- Completed 95 asset enhancement projects across Hong Kong and Mainland China since listing
- >94% of our asset enhancement projects since 2008/2009 achieved double-digit ROI
- Average sales growth of Link's Hong Kong tenants have a track record of outperforming the market
- New community spaces and amenities established as part of the shopping experience

## Portfolio Diversification and Optimisation

Link 2.0 leveraged our balance sheet strength to enhance the portfolio through diversification and optimisation, providing future growth opportunities and establishing new competences to deliver beyond expectations.

**Value created**

- Geographic expansion of our portfolio footprint to Mainland China, the UK and Australia
- Asset classes expanded to include logistics, commercial and office spaces
- Joint ventures, minority shareholding and other investment formats introduced to pool resources and expertise that leverage growth and portfolio balance
- ESG standards introduced to ensure resilience as economies and markets transition to a low carbon future

# Link 2.0

# Link 3.0

## Our New Phase of Growth

We are committed to providing our Unitholders with stable distributions and sustainable long-term growth, notwithstanding the intensifying uncertainties around the world.

For this next phase of our growth, we have revamped our strategy under Link 3.0.

**Link 3.0 Strategic Tenets**

- Achieve organic growth through active asset management
- Optimise our portfolio and diversify our source of income through accretive investments and asset recycling
- Adopt an asset-lighter approach by working with capital partners to grow AUM and management fee income
- Expand our capabilities regionally and in different asset classes, in support of our asset-lighter approach
- Manage our cost of funding and financial risks through active capital management
- Uphold our ESG and sustainability stewardship

We actively monitor and address different risks that we face, and it is a priority for us to continually enhance our capabilities and remain resilient through economic cycles. We are focused on our target markets in the APAC region which have strong fundamentals, and we will continue evaluating opportunities across multiple asset classes including retail, car park, office and the logistics sectors, while primarily targeting non-discretionary retail and logistics. Our asset-lighter approach facilitates our diversification and helps us better manage our risk profile.

Leveraging on our award-winning governance standards, our ESG stewardship, our experienced and professional team and the support of our stakeholders, we aspire to become a Trusted Partner in APAC Real Estate.

Our history of resilience demonstrates our capacity to overcome obstacles and achieve sustained growth over time.


MAINLAND CHINA
HONG KONG
SINGAPORE
AUSTRALIA

# TRACK RECORD OF **RESILIENCE**

Link's business ecosystem, built on a robust governance and policy framework, fosters resilience.

Our 17 year track record of consistent growth demonstrates our commitment to continuous improvement, innovation, and the exploration of emerging opportunities. As we navigate the complexities of today's markets, our strategy ensures we stay ahead of the curve, capitalising on opportunities through our diverse capabilities, partnerships, financial resources, and diversified business assets.

### Strong Financial Position

- No refinancing needs in the next 12 months
- Net gearing ratio fell from 20.7% to 17.8%

The Quayside, Hong Kong, China

Sau Mau Ping Shopping Centre, Hong Kong, China

### Financial and Operational Resilience throughout Economic Cycles since Our 2005 IPO

- Revenue and distributable income maintained a growth trajectory
- Hong Kong retail assets maintained high occupancy over 94% in the past decade
- Productive tenant mix with strong sales growth almost always beating the market
- Healthy overall rental collection constantly over 98% even during the COVID period in Hong Kong
- Rapid recovery on rental reversion during the pandemic

### Capital Recycling

- Reshape portfolio by reinvesting proceeds from non-core asset divestments
- Invest into strategic properties generating high-quality income growth

We create sustained value notwithstanding economic ups and downs

# Chairman's Statement

Amid global uncertainty, Asia Pacific presents a reliable landscape of growth potential. Its resilience mirrors our strategic investments and robust governance, symbolising our pledge to long-term value creation.

Dear Unitholders,

In today's global economic landscape, characterised by decelerating growth, high inflation, and geopolitical uncertainty, the Asia Pacific (APAC) region remains a beacon of growth and development. With robust economies like Australia and Singapore, the region demonstrates resilience and dynamism, outshining the challenges faced by the rest of the world.

The reopening of Mainland China and Hong Kong, was a vital contributor to the region's growth. Mainland China's robust economy is set to expand by 5.2% in 2023, while Hong Kong's economy is projected to rebound by 3.5% to 5.5%. Australia's diversified economy (forecasted to grow by 4.6% in 2023), coupled with Singapore's stable growth, provide a strong foundation for the region's overall economic outlook.

Despite significant policy challenges, inflation and interest rate uncertainty, systemic financial risk, elevated public debt levels and weak income growth, policymakers have continued to proactively manage risk through a mix of monetary, fiscal, and structural reforms. Their commitment to striking a balance between supporting growth, protecting the vulnerable and addressing debt concerns signals the region's dedication to long-term, sustainable growth.

## Capitalising on APAC Real Estate Opportunities: From Macro to Micro

Our investment strategy leverages the robust fundamentals of the APAC region. The shift towards core real estate has transformed the region into a global destination for investment, offering stable income returns and lower volatility. We benefit from diverse risk-adjusted returns across various markets, enabling us to mitigate risk and capitalise on opportunities throughout the property cycle. Our strong alignment with operational partners on values, processes and return expectations supports our growth strategy.

The retail landscape is continuously evolving, with omnichannel retailing and changing consumer preferences playing significant roles. Despite this, community retail locations in major cities remain in demand, driving rental growth and providing attractive investment opportunities. Industrial and logistics sectors are compelling growth drivers, with e-commerce fuelling demand, particularly in Mainland China.

Our confidence in the APAC real estate market stems from diverse investment opportunities, robust market fundamentals, and growth potential across key sectors. As a leading APAC real estate investor, we remain committed to delivering value for our Unitholders and positioning our investments for long-term success.

## Governance led by Business as Mutual: Building Trust through Robust Governance

Robust governance is indispensable and central to long-term success and sustainable growth. Our award-winning corporate governance, exemplified by our Business as Mutual (BAM) mindset, fosters trust and alignment with our business partners. We emphasise the following pillars of good corporate governance:

1. *Transparency and clarity:* Our commitment to providing clear, timely information to our stakeholders establishes trust and fosters productive engagement.
2. *Accountability and responsibility:* We cultivate a culture of accountability, driving our organisation's success and strengthening our reputation.
3. *Stakeholder-based decision-making:* By treating stakeholders fairly, we build strong, enduring relationships that benefit our growth strategy.
4. *Independence:* Maintaining an independent board without a dominant controlling unitholder ensures objective decision-making processes, with the aim of maximising value for all our Unitholders.

Embracing the BAM mindset enhances trust with our business partners and positions us as a trusted industry leader. In a world where trust has become a key differentiator for leading companies, we are dedicated to maintaining the highest standards of governance and upholding the BAM principles. As we continue to grow our portfolio and expand our presence in the APAC region, we remain committed to fostering a culture of trust, accountability, and excellence that supports our strategic goals.

## Future-Proofing our Portfolio: Sustainability, Climate Resilience, and Social Value

We recognise the growing importance of integrating environmental, social, and governance (ESG) factors, sustainability and climate risk assessment into our portfolio. Climate risks and opportunities affect property valuations and investment decisions; proactively addressing these matters helps preserve and protect the value of our assets.

In addition to assessing exposure to climate risks, investors are now seeing assessment of exposure to social and biodiversity risks. By integrating social value into our real estate portfolio, we contribute positively to the communities in which we invest and enhance the long-term appeal and resilience of our properties. This comprehensive approach is structured to drive the long-term appeal and resilience of our properties and also contribute positively to the communities in which we invest, ensuring that we create lasting value for all those around us.

## Financial Performance Highlights

In preparation for investment under the Link 3.0 strategy and to manage potential market and economic risk, Link completed a one-for-five rights issue in March 2023. Due to the increased number of units in the second half of the year, distribution per unit (DPU) for the year reduced 10.3% to HK274.31 cents (2022: HK305.67 cents), comprising an interim DPU of HK155.51 cents (2022: HK159.59 cents) and a final DPU of HK118.80 cents (2022: HK146.08 cents). Excluding the discretionary distribution of HK7 cents in 2021/2022 and the dilutive impact of our rights issue, like-for-like DPU for the year was largely maintained. Net asset value per unit also decreased by 4.0% to HK$73.98 (31 March 2022: HK$77.10) due to the increased number of units in issue.

## Recognition

I express my sincere gratitude to our CEO, George, our management team and the growing number of Linkers across the APAC region for their exceptional efforts and dedication over the past year. Their hard work has contributed significantly to our strong financial performance and growth trajectory.

I also extend my heartfelt thanks to my fellow Board members for their unwavering commitment, guidance and support in navigating the challenging and dynamic landscape we operate in.

We bid farewell to retiring directors, Nancy Tse and Peter Tse, whose guidance, expertise, and commitment have played a crucial role in our success. On behalf of the Board, I thank them for their invaluable contributions and wish them the best in their future endeavors.

We welcome Melissa Wu to the Board, who brings a wealth of experience, knowledge and fresh perspectives to benefit our organisation as we continue to grow and navigate the evolving APAC real estate landscape.

## Looking Ahead: Embracing Change and Seizing Opportunities

As we look ahead, our confidence in APAC's resilience, diversity, and growth potential remains unwavering. We are committed to maintaining our strategic investment focus, strong governance and responsible growth as we continue to deliver long-term value to our Unitholders.

I remain grateful for your trust and support and look forward to navigating the exciting growth opportunities that lie ahead, together.

Regards,

**Nicholas Charles ALLEN**
*Chairman*

Link Asset Management Limited
As Manager of Link Real Estate Investment Trust
31 May 2023

# Chief Executive Officer's Review

Our unwavering commitment to excellence and sustainable growth fuels our ambition, allowing us to adapt and navigate the post-pandemic landscape with resilience and innovation.

Dear Unitholders,

I am delighted to present Link's annual report. As the world recovers from the effects of the pandemic, we are leveraging our adaptability and industry expertise to identify and seize growth opportunities in a rapidly shifting real estate environment.

## Embracing the Post-Pandemic Landscape

Our strategic decisions are guided by understanding evolving trends, including the demand for flexible office spaces, the rise of e-commerce necessitating logistics facilities and the growing focus on eco-friendly designs. With our proactive approach, we continuously evolve our trade mix, creating innovative tenant solutions. By acknowledging and meeting our customers' changing preferences, notably health and wellness, we have enhanced our appeal. This is evident in our expanded building certifications, end-of-trip office facilities, and improved shopper interaction via our LinkUp app; all of which contributed to robust occupancy rates across our portfolio.

## Our Financial Performance Highlights

Despite economic headwinds, our strong financial performance underscores our resilience and value creation for Unitholders. We have consistently outperformed peers, validating our strategic approach in navigating post-pandemic challenges and capitalising on opportunities.

Our revenue and net property income rose by 5.4% and 4.8%, respectively, to HK$12,234 million and HK$9,198 million, driven by the performance of our Hong Kong portfolio and lower levels of rental concessions, despite weaker performance in Mainland China.

Excluding the discretionary distribution paid in 1H 2021/2022, our total distributable amount increased 0.6% to HK$6,311 million in 2022/2023. Meanwhile, the valuation of our investment property portfolio increased to HK$237,469 million, up from HK$212,761 million as at 31 March 2022.

Following our HK$18.8 billion rights issue in March 2023, the net assets attributable to Unitholders increased by 16.1% to HK$188.9 billion. This sustained earnings and valuation growth is a testament to our effective cost management and diversification strategy, ensuring our resilience through market cycles.

## Portfolio Resilience through Diversification

Portfolio diversification has been an essential strategy for Link for the past 17 years, enabling us to manage risks and optimise returns. By allocating investments across various asset classes and geographic areas, we have effectively mitigated the impacts of market volatility and localised economic downturns.

This year, we continued to strengthen our portfolio's geographic and asset class diversity by acquiring prime assets in Australia, Mainland China, and Singapore, comprising three wholly owned and eight jointly-owned properties. We made our entry into the Singaporean real estate market with a platform that provides the potential to support our aspiration of strategic growth with third-party capital partners. This increased reach has bolstered our real estate portfolio, ensuring greater diversification, reduced risks and improved stability.

## Capital Management for a New Era

Our robust capital management strategy has empowered us to tackle the challenges of the new normal, including inflation, rising interest rates and supply chain disruptions. Our HK$18.8 billion rights issue lowered our net gearing ratio to 17.8%, enhancing our liquidity to capitalise on market opportunities.

By proactively fortifying our capital base, we have set the stage for our next growth phase, marked by a strengthened balance sheet and increased funding certainty. Our net gearing ratio, one of the lowest among peers, along with the additional HK$9.3 billion from the rights issue, brings our total liquidity to approximately HK$27.3 billion. As we navigate this landscape, we patiently and cautiously await opportunities to deploy our capital for yield-accretive acquisition.

## Link 3.0: Our Growth Strategy

The Link 3.0 strategy forms the cornerstone of our ongoing success in the post-pandemic world. We are setting our sights on continued portfolio optimisation, the adoption of a leaner, asset-lighter approach, strengthening our regional presence and the expansion of our assets under management through strategic partnerships. This strategy harnesses established reputation, high governance standards and management expertise to add value for Unitholders and reinforce our role as a leading real estate investor and manager in the APAC region.

Our asset management approach has evolved over time, fostering deeper collaboration with a variety of partners. This model, focusing on trust and alignment, will guide our future investments and potential capital recycling initiatives. Underpinned by a proven track record, a solid reputation and a highly skilled management team, we are poised to execute Link 3.0 effectively. Emphasising prudent capital management, portfolio optimisation and talent development, we aim to drive sustainable and value-centric growth.

## Fostering Talent for Success

As we initiate Link 3.0, talent development becomes a focal point, acknowledging our people as the key to our success. We are committed to sourcing, cultivating and retaining top-tier talent to fulfil our strategic goals. This involves a thorough examination of our organisational culture, evaluation of key competences and pinpointing areas that require additional talent.

The addition of a 132-member team in Singapore, coupled with strategic senior hires in Mainland China and Hong Kong, showcases our dedication to talent growth. This expansion bolsters our ability to compete across various markets and enhances our proficiency across different asset classes.

## Prioritising Sustainability for Value Creation

Our commitment to ESG and sustainability underscores our dedication to responsible corporate citizenship and long-term value creation for all stakeholders. We prioritise Net Zero and climate risk mitigation in our sustainability approach. We have made steady progress towards our interim Net Zero 2035 targets, with a 13.8% reduction in carbon intensity since 2018. We are progressing towards 100% of our assets having green building certifications across the entire portfolio and we are currently at 97.3%.


During the year we introduced asset-level sustainability factsheets for greater ESG transparency. These factsheets, which are open to the public and accessible on our corporate website, detail the sustainability characteristics and performance of each property, empowering tenants in our sustainable spaces.

For broader decarbonisation impacts, we continue aligning with businesses and organisations that share our vision. Our green lease initiative has over 1,000 signatories, representing 14.1% of all eligible leases. We have also worked with the Urban Land Institute's Hong Kong chapter to deliver a report on landlord-tenant Net Zero engagement strategies in the APAC region.

These partnerships encourage innovation, share best practices and fast-track the green transition, effecting enduring, positive change for our operations, the industry, and the communities we serve. As we look forward, our perspective remains prudently optimistic, rooted in our strategic advancements and sustainable growth.

## Appreciation

I extend my sincere thanks to all Linkers, business partners, and Unitholders for their steadfast support and dedication. Your faith in our vision and dedication to our growth journey is invaluable and we remain committed to striving for excellence across all business facets.

## Future Outlook: A Robust Strategic Plan

Our commitment to be your trusted partner in APAC real estate remains steadfast. Driven by our Link 3.0 strategy, our focus on portfolio performance and prudent capital management places us in a strong position to ensure sustainable growth and long-term value for our Unitholders.

Thank you for your trust and support.

Yours sincerely,

**George Kwok Lung HONGCHOY**
*Chief Executive Officer*

Link Asset Management Limited
As Manager of Link Real Estate Investment Trust
31 May 2023

# Board of Directors

Link's Board is responsible for preserving and increasing Unitholder value by overseeing and appraising the Group's strategy and performance. The Board has an effective balance of diversity across nationality, gender and expertise.

## Chairman

1 Nicholas Charles ALLEN
(also an Independent Non-Executive Director)

## Executive Directors

2 George Kwok Lung HONGCHOY
Chief Executive Officer

3 NG Kok Siong
Chief Financial Officer


1


2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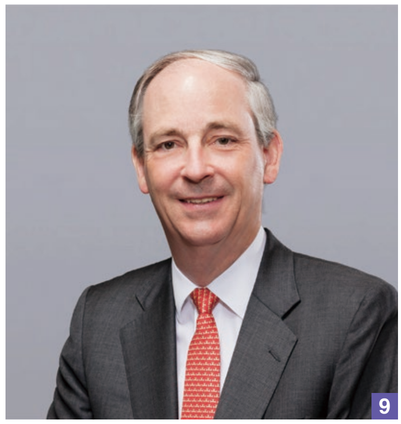







## Non-Executive Director

4 Ian Keith GRIFFITHS

## Independent Non-Executive Directors

5 Christopher John BROOKE
6 Ed CHAN Yiu Cheong
7 Jenny GU Jialin
8 Lincoln LEONG Kwok Kuen
9 Blair Chilton PICKERELL
10 Poh Lee TAN
11 Peter TSE Pak Wing
12 Nancy TSE Sau Ling
13 Melissa WU Mao Chin

# MANAGEMENT EXPERTISE:
## THE CATALYST FOR GROWTH IN LINK 3.0

Link's management team, distinguished by their industry experience and commitment to excellence, plays a pivotal role in our next phase of growth.

Effective decision-making begins with comprehensive stakeholder engagement, robust management tools and an agile organisational structure. Our approach promotes resilience, nurtures strong relationships, and enhances our management expertise.

As a leading APAC real estate investor, our management expertise is central to our success in Link 3.0. Leveraging our in-depth industry knowledge, market insights, and unparalleled execution capabilities, we are poised to drive exceptional performance and growth across our real estate portfolio. Our holistic approach to management consists of four core areas of expertise: Asset Management, Portfolio Management, Capital Management, and Investment Management. By excelling in these areas, we create value for our stakeholders and position ourselves for sustainable growth in the dynamic APAC real estate market.

### Asset Management

- *Leasing:* Focusing strategies on evolving trade mixes and market alignment to optimise occupancy and revenue
- *Property Management:* Centred on delivering modern, efficient properties that attract top-tier tenants, enhancing overall asset value
- *Projects & Development:* Modernising assets to ensure sustained competitiveness in dynamic markets and meet evolving tenant needs
- *Sustainability:* Merging robust sustainability and ESG principles – such as climate risk and stakeholder engagement – underlines our commitment to responsible investment

This integrated strategy unlocks and maximises asset value, maintaining a core focus on financial and operational performance at both the individual asset and portfolio levels to enhance returns and manage risks efficiently.

Temple Mall, Hong Kong, China

## Portfolio Management

- Build a balanced, diversified asset mix to ensure overall portfolio productivity
- Identify complementary assets and investment opportunities
- Foster resilience across market cycles through proactive management and growth strategies

## Capital Management

- Maintain a healthy balance sheet to support portfolio resilience and productivity
- Employ prudent commercial principles to navigate market dynamics
- Leverage our strong credit ratings, corporate governance and risk management mechanisms
- Explore co-ownership and partial stake investments to enhance growth opportunities

Foshan Warehouse, Foshan, China

The Galeries, Sydney, Australia

Qibao Vanke Plaza, Shanghai, China

## Investment Management

- Forge lasting, effective partnerships across the real estate lifecycle
- Leverage Link's 17 years of experience in building and managing relationships with diverse stakeholders
- Collaborate with industry leaders to identify and capitalise on investment opportunities
- Create long-term value through strategic investments and focused asset management

Our dedication to governance, risk management and compliance sets the foundation for our organisation's stability and long-term growth.

# GOVERNANCE, RISK AND COMPLIANCE

Link's robust Governance, Risk, and Compliance (GRC) framework effectively manages challenges from global supply chains, climate change, disruptive technologies and diverse work cultures.

We understand that risks are interconnected, affecting our entire business ecosystem. Our GRC approach supports holistic risk management aligning outcomes with behaviours that underpin our corporate purpose.

Link's comprehensive GRC approach fosters responsibility and risk reduction, streamlining decision-making. This results in resilience, business growth, and lasting stability. Our Link 3.0 transformation emphasises strong organisational governance, a high-performing risk culture and a balanced asset and capital management investment strategy aimed at generating and realising value.

1

## Management Foundation

Robust governance, compliance and risk management are in the DNA of our corporate strategy and operations. Purposed integration of these systems leverages the internal capabilities to refine objectives, evolve strategy and establish aligned behaviours across the organisation.

**What we do:**

- Create and maintain a robust governance system that is ethical, transparent and accountable to stakeholders
- Secure a leadership team that delivers professional expertise and brings passion to the business purpose
- Guide behaviours that support purpose underpinned by the systems that establish boundaries and guardrails to behaviours
- Proactively engage and communicate with stakeholders

2

## Risk Culture Performance

An effective risk culture emphasises compliance and mitigation, exceeding baseline expectations. By developing an enterprise risk management framework focused on opportunity-driven scaling, we seek to manage our risk exposure while maximising opportunity.

**What we do:**

- Identify risks and opportunities at a pace matching changes in the market and stakeholder expectations
- Translate stakeholder needs into a plan of action that sets the tone for risk management and guide compliance activities throughout the enterprise
- Optimise systems and internal competencies that facilitate change
  - Engage stakeholders to create the change process
  - Empower the change culture to be the frontline working ethos
- Ensure data processes and controls are in place to deliver real-time information that can be transformed into competitive advantage

*See page 32 for more details*

3

Sha Kok Commercial Centre, Hong Kong, China

## Capital Preservation and Value Creation

Our value creation approach emphasises agility and responsiveness to achieve strategic objectives. This approach builds on established strengths while adapting to events, interventions and change.

**What we do:**

- Create vibrant and enduring community assets
  - Respond to evolving intergenerational social aspirations
  - Build in climate resilience at all stages of development
- Nurture passion and skills to create a dynamic and collaborative workforce
- Rethink and align investments by understanding and anticipating investor appetites
- Demonstrate the ability to outperform established expectations
  - Leverage successful partnerships, green finance and portfolio diversification to capture alternative platforms and opportunities for growth

# Megatrends

As a leading APAC real estate investor, we are acutely aware of the megatrends reshaping our landscape. By understanding these dynamics and proactively mitigating their impacts, we transform these trends into opportunities for sustained growth.

## Geo-economic Fragmentation and Global Financial Risks

**Interaction with our Principal Risks**

External B D

Strategic F G

**Connection to Key Capitals**

The confluence of geo-economic fragmentation and international financial risks poses notable strategic challenges to the APAC region, impacting various sectors, including real estate. Trade protectionism, supply chain disruptions and regional tensions contribute to this fragmentation, creating barriers to trade, investment, and technological progression within APAC economies. Concurrently, the global financial landscape is challenged by rising inflation and interest rates, potentially leading to tighter credit conditions and mounting debt servicing costs. These interlinked risks exacerbate existing issues such as ongoing trade disputes, sanctions, and geopolitical tensions in the region, which together hinder economic growth and expose APAC to recession, financial crises and increasing income disparities.

## ESG, Sustainability, and Climate Risks

**Interaction with our Principal Risks**

Strategic E F

Operational H

ESG J

**Connection to Key Capitals**

The strategic integration of Environmental, Social, and Governance (ESG) principles is paramount for APAC real estate investors. With the absence of universally accepted ESG reporting standards, greenwashing becomes a considerable risk, potentially leading to regulatory repercussions. Proactive identification and management of emerging ESG risks are essential to maintain a competitive edge. Climate change poses a significant concern, necessitating strategic responses to the physical and regulatory risks affecting real estate assets. Moreover, growing societal expectations call for a proactive role in fostering healthy living conditions and positive community impact. Strengthened governance standards underscore the need for increased transparency and stakeholder engagement, which are vital to shaping investor relations and ensuring legal compliance. Consequently, for APAC real estate investors, aligning ESG compliance, integration and communication with broader business objectives is key. Such alignment not only bolsters the ESG brand but also instils stakeholder confidence and facilitates sustainable growth in a dynamic investment landscape characterised by heightened ESG awareness.

## Increased Competition in APAC

**Interaction with our Principal Risks**

External B C D

Strategic F

**Connection to Key Capitals**

The APAC real estate sector continues to draw global investors due to its promising long-term prospects, fuelled by the rise of economic powerhouses, urban migration trends and regional shifts. However, this heightened attractiveness brings strategic challenges that we, as a leading APAC real estate investor, must carefully navigate. The surge of international capital into the region has led to intensified competition for premium investment opportunities. This competitive landscape necessitates a strategic, proactive approach to identifying and securing appealing opportunities. Furthermore, the potential scarcity of core real estate assets elevates the significance of a strategic portfolio diversification, potentially including alternative real estate asset classes. Investors are also grappling with evolving geopolitical landscapes and potential financial instability, factors that call for a comprehensive risk management strategy. The prospect of higher interest rates demands careful consideration of asset valuations and return expectations.

## Workplace Changes in APAC

**Interaction with our Principal Risks**

External A C

Strategic F H

**Connection to Key Capitals**

In the aftermath of the pandemic, marked shifts in office and retail space usage are evident across the APAC real estate sector, with notable transformations occurring in key markets such as Mainland China, Hong Kong, Singapore, Australia, and Japan. The conventional paradigm of office space utilisation is undergoing significant change. The increased adoption of flexible and hybrid working models has necessitated a reconfiguration of office environments. Offices are now being redesigned to support both collaborative and individual work, integrating wellness-centric spaces and digital connectivity. This shift reflects the balance between remote work and the sustained relevance of physical office spaces, particularly in the APAC region where a robust return to office work is being observed.

Concurrently, the retail sector is navigating its own evolution. Despite the dramatic growth of e-commerce, the importance of physical retail spaces remains central in these key APAC markets. However, the function of these spaces is being re-envisioned. Traditional retail outlets are transforming into experiential venues, providing customers with unique immersive experiences that transcend the capabilities of online shopping. Additionally, the strategic use of retail spaces as last-mile fulfilment centres is becoming increasingly crucial, supporting the swift expansion of the e-commerce sector. These trends illustrate the dynamic nature of the APAC real estate sector and the necessity for strategic adaptation to these evolving norms of space utilisation.

### Key Capitals

- Financial
- Natural
- Portfolio
- Social & Relationship
- Talent
- Innovation

### External Risks

- A Evolving Retail and Commercial Market Trends
- B Financial Market Volatility
- C Financial Strength and Performance
- D Macroeconomic or Geopolitical Developments

### Strategic Risks

- E Brand Reputation and Public Relations
- F Portfolio Diversification and Investment Strategies
- G Talent Recruitment, Development and Retention

### Operational Risks

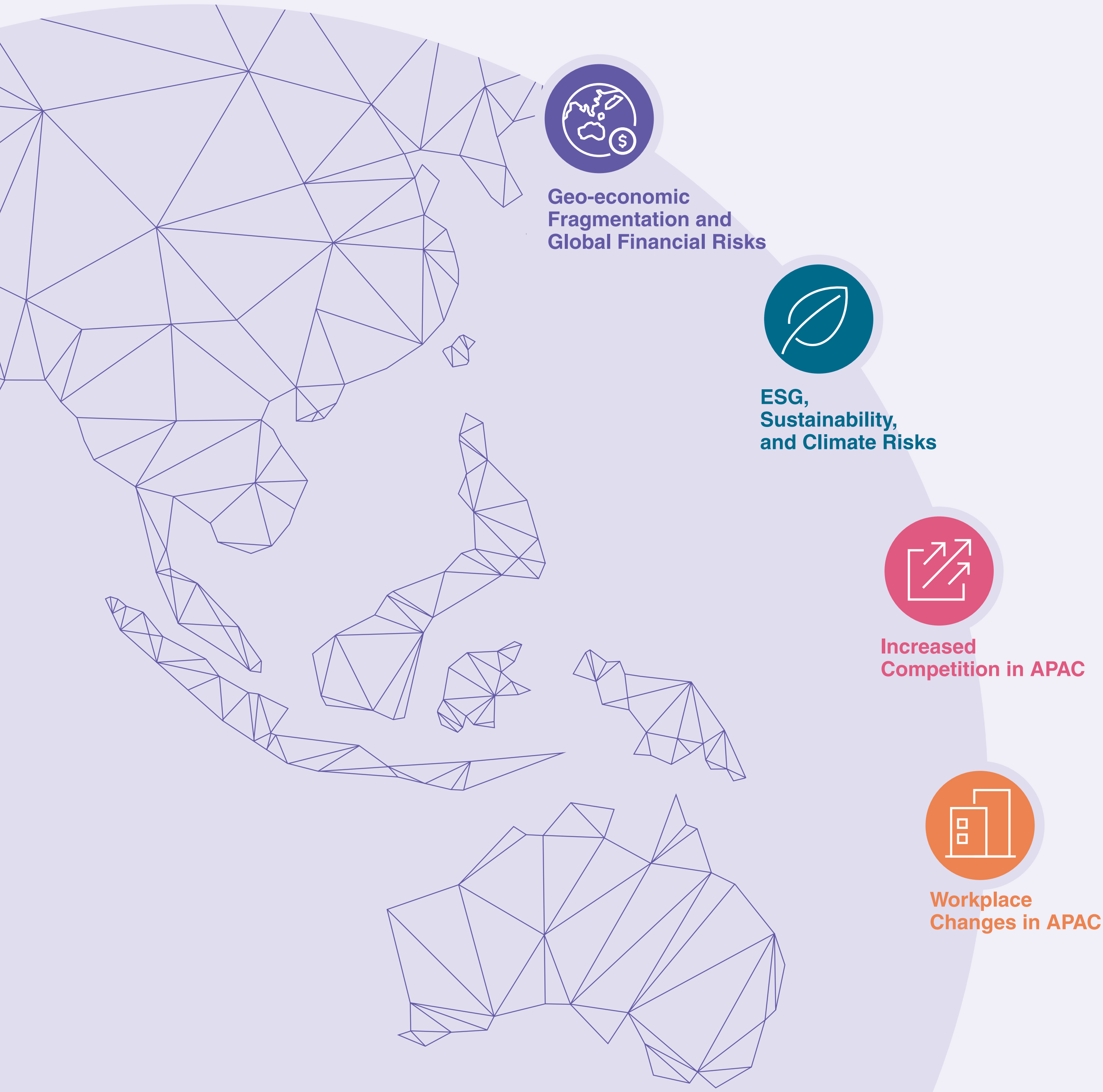
- H Asset Maintenance and Enhancement
- I Business Resilience and Contingency Planning

### ESG Risks

- J Accelerating Net Zero/Decarbonisation Requirements

# MITIGATION MEASURES

To navigate the megatrends reshaping the APAC real estate landscape, we actively adapt and foster resilience. Through a comprehensive set of mitigation measures, we align our business objectives with the evolving demands of the APAC real estate landscape, capitalising on emerging opportunities and ensuring long-term success.



### Government Relations and Policy Advocacy

Establish a proactive approach to government relations and policy advocacy, particularly in key APAC markets. Advocate for policies that create a more stable and predictable investment environment to mitigate risks associated with geo-economic fragmentation.

### Regulatory Compliance and Advocacy

Stay informed about evolving regulations related to geo-economic changes and ESG standards. Proactive compliance across the portfolio can mitigate regulatory risk. Additionally, advocate for clear, fair regulation in target markets to create a more stable investment environment.

### ESG Integration and Scenario-based Portfolio Stress Testing

Implement a comprehensive ESG strategy across the portfolio, underpinned by regular scenario-based stress testing. This approach involves selecting investments based on strong ESG performance, aligning property management with sustainability standards, transparent ESG reporting, and periodic stress tests to identify vulnerable assets and enhance their resilience to economic and environmental shocks.

### Strategic Partnerships and Proactive Stakeholder Engagement

Foster strategic partnerships with local partners, authorities, and communities and engage proactively with key stakeholders. This includes nurturing relationships that provide invaluable local insights, facilitate smoother operations amidst increased competition, geo-economic instability, and encourage transparency on Link's strategic direction, ESG efforts, and market outlook.

### Geo-economic Risk Management and Financial Resilience

Maintain a robust risk management framework incorporating diverse geo-economic scenarios, risk-adjusted return assessments, and financial resilience planning. This strategy includes anticipating regulatory shifts, trade dynamics, and developing a plan that ensures financial stability amidst economic shocks. The plan includes maintaining healthy cash reserves, diversifying funding sources and regular reassessment of debt management strategies.

### Investment Diversification

Diversify investments across different markets, sectors, and asset types in the APAC region to spread risk and capitalise on different growth opportunities. This strategy is guided by a thorough understanding of local market dynamics and future trends in office and retail space usage.

# Enterprise Risk Management and Principal Risks

Link's robust enterprise risk management framework is designed to effectively identify, assess, and manage the risks inherent in our diverse operations.

## Our Risk Management 360 (RM360) Framework

The RM360 framework illustrates how Link employs risk management practices in compliance with our Risk Management Policy's principles and limits. This process identifies principal risks and evaluates them in the context of Link's strategic objectives, managing these risks within our established risk appetite.

Moreover, RM360 offers an integrated approach to managing risks and opportunities while assessing ESG materiality. It fosters a culture of proactive risk and ESG ownership, reflecting Link's target operating model and holding each business and functional area accountable for ongoing risk identification, assessment and management. This approach empowers business units and individual Linkers to monitor risks and implement mitigation strategies as needed. It also supports senior management and the Board in identifying innovative business opportunities and fostering mutually beneficial partnerships with stakeholders.

## Risk Governance Structure

The Board is ultimately responsible for creating, maintaining, and supervising effective risk management and internal control systems. Our risk governance structure, featuring three lines of defence as outlined below, jointly manages and mitigates risks associated with Link's business.

We have implemented procedures and control measures, including an updated corporate risk register that assesses and calibrates external forces, strategic risks, operational risks, and ESG risks based on impact severity and occurrence probability. The Risk Governance team monitors top risks and risk momentum changes, with the relevant departments or functions acting as risk owners.

Link's Internal Audit department provides independent and objective assurance and advice regarding control and risk management process adequacy and effectiveness. Key risk management processes are audited to ensure timely identification of improvement areas and prompt implementation of appropriate measures.


## Our Risk Context and Appetite

For each risk, we identify respective controls and their effectiveness through our risk assessment process to manage underlying causes and mitigate impacts. All principal risks are linked to the reporting of key risk indicators and strategic objectives.

Setting and understanding risk appetite is a crucial aspect of corporate governance. Our Board monitors the risk appetite for each identified principal risk, ensuring informed, risk-based decision-making and strategic planning.

This approach allows our RM360 framework and management to respond to risks dynamically and directly, integrating our corporate culture and atmosphere to ultimately add value.

## Principal Risks and Interdependencies

By analysing the links between key risks, we can identify those that might influence or exacerbate other risks, ensuring they are appropriately weighted. This chart demonstrates these key risks and their interconnectedness. Importantly, a risk with multiple connections indicates a greater significance. This acts as a strategic checklist to mitigate potential risks efficiently, thereby reinforcing our the reliance of our system.

### External Risks

- A Evolving Retail and Commercial Market Trends
- B Financial Market Volatility
- C Financial Strength and Performance
- D Macroeconomic or Geopolitical Developments

### Strategic Risks

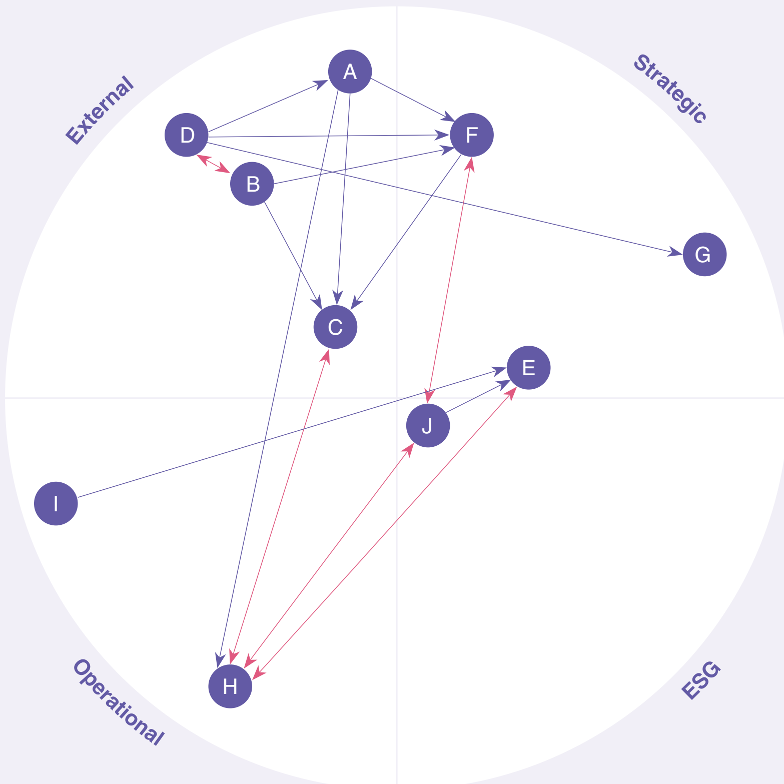
- E Brand Reputation and Public Relations
- F Portfolio Diversification and Investment Strategies
- G Talent Recruitment, Development and Retention

### Operational Risks

- H Asset Maintenance and Enhancement
- I Business Resilience and Contingency Planning

### ESG Risks

- J Accelerating Net Zero/Decarbonisation Requirements




Bidirectional    Unidirectional

**Year-on-year Risk Ranking Movement**

Increasing
Decreasing
No change
NEW New risk

**Connection to Key Capitals**

Financial
Portfolio
Talent
Natural
Social & Relationship
Innovation

## External Risks

### A Evolving Retail and Commercial Market Trends NEW

**Recent Trends**

The rapid evolution of e-commerce, digitalisation and social media influences, along with shifts in shopper behaviors due to the pandemic, has impacted global markets in recent years. Hybrid models in retail and office sectors may apply downward pressure on market rental prices.

**Potential Impacts**

- Unstable leasing demand leading to pressure on reversion
- Unsatisfactory tenant retention and revenue growth

**Our Responses**

- Regularly review tenant and trade mix strategies to maintain a resilient portfolio
- Monitor shopper behavior changes and industry trends across asset classes
- Further diversify our portfolio and introduce an asset-lighter business model which helps manage our business risk profile

**Related Sections**

- Track Record of Resilience
- Management Expertise

### B Financial Market Volatility

**Recent Trends**

Although financial market volatility has shown signs of slowing since 2023, the ongoing global recession, coupled with interest rate hikes and foreign exchange rate fluctuations, may still adversely impact organisations' investment and financing decisions.

**Potential Impacts**

- Higher cost of funding
- Portfolio or asset valuation fluctuations

**Our Responses**

- Regular monitoring of key financial indicators
- Employ prudent capital management strategies with a mix of financing options or structures to limit exposure

**Related Sections**

- Capital Management
- Valuation Review

### C Financial Strength and Performance

**Recent Trends**

In a challenging operating environment and post-pandemic recovery, maintaining a higher liquidity buffer and aligning operational strategies (such as leasing) and capital management is essential for sustainable growth.

**Potential Impacts**

- Financial performance below stakeholders' expectation
- Deterioration of recoverability and liquidity

**Our Responses**

- Engage stakeholders regularly
- Finance and Investment Committee and Board level review and approved of key investment and financing decisions
- Diversify and grow towards an asset-lighter business model under Link 3.0 strategy

**Related Sections**

- Corporate Strategy
- Governance, Disclosures and Financial Statements

## D Macroeconomic or Geopolitical Developments

### Recent Trends

Increased threats to APAC's regional stability, such as trade bans on strategic output, hinder economic integration amid headwinds. The prolonged Russo-Ukrainian war has exacerbated inflation and disrupted global supply chains.

### Potential Impacts

- Fluctuation in portfolio or asset valuation
- Prolonged lead time in supply chain and procurement

### Our Responses

- Regular monitoring of key economic indicators
- Robust due diligence processes
- Regular assessment of geopolitical developments or local government policies affecting Link's operations and target markets

# Strategic Risks

## E Brand Reputation and Public Relations

### Recent Trends

Information overload increases public relations risk and misalignment with stakeholder expectations, potentially leading to reputational damage and heightened public sensitivity.

### Potential Impacts

- Controversial or negative coverage in media
- Adverse impact on market sentiment

### Our Responses

- Proactively maintain relationships and open dialogue with communities to enhance transparency
- Implement a "Business as Mutual" ethos and stakeholder engagement policy
- Establish reporting channels for timely escalation
- Ensure interdepartmental collaboration for information accuracy and consistency

### Related Sections

- Sustainability Compendium

## F Portfolio Diversification and Investment Strategies

### Recent Trends

Diversification by geography and across asset classes minimises market-specific downside risks, reduces exposure to stretched valuation, and enhances return stability and performance.

### Potential Impacts

- Deterioration of the expected return on potential investment opportunities
- Inaccurate assumptions or calculations distorting corporate strategy formulation

### Our Responses

- Prudent portfolio curation and geographical diversification for optimisation under Link 3.0 strategy
- Finance and Investment Committee at the Board level reviews and endorses key investment and financing decisions
- Strengthen asset management capability and build capital partnerships

### Related Sections

- Trusted Partner
- Our Growth and Transformation Journey

## Ⓖ Talent Recruitment, Development and Retention

### Recent Trends

With a challenging economic outlook and uncertain job market due to labor outflow during the pandemic, employers have become more agile in workforce strategies to sustain business operations.

### Potential Impacts

- Ineffective people strategies leading to high turnover
- Lack of succession planning

### Our Responses

- Remuneration and Nomination Committee oversees key talent matters and decisions
- Encourage an outcome-driven development plans linked to organisational goals
- Maintain close communication with management to understand talent needs
- Regular benchmarking to ensure competitiveness

### Related Sections

- Sustainability Compendium
- Management Expertise

# Operational Risks

## Ⓗ Asset Maintenance and Enhancement

### Recent Trends

To cater to post-pandemic shifts in behaviors, such as increased demand for experiential consumption, it is crucial to upgrade and transform commercial properties into higher-quality assets aligned with evolving community lifestyles and sustainability standards.

### Potential Impacts

- Unnecessary downtime or additional costs due to substandard repair and maintenance; or delay in capital enhancement projects
- Expectation gaps leading to adverse impacts on tenant satisfaction and shopper experience

### Our Responses

- Regular meetings with vendors and progress monitoring
- Robust vendor management and performance evaluation
- Ongoing review and update of asset enhancement pipeline

### Related Sections

- Operational Highlights

## Ⓘ Business Resilience and Contingency Planning

### Recent Trends

Increasing demand for technological advancements for operational efficiency, coupled with ever-changing cybersecurity threats, raises the risk of business disruption and potential legal consequences.

### Potential Impacts

- System interruptions and data leaks
- Reputational damage or non-compliance with data protection enforcement across jurisdictions

### Our Responses

- Regular review of IT infrastructure and multiple system data backups
- Implement disaster recovery and resumption plans with regular system tests
- Periodic cybersecurity awareness training and exercises

## ESG Risks

### J Accelerating Net Zero/Decarbonisation Requirements NEW

**Recent Trends**

Recent research shows that the world must reduce the carbon intensity of economic activity at an accelerated pace. Decarbonisation progress has declined compared to the pre-pandemic period, especially considering economic headwinds and energy price challenges.

**Potential Impacts**

- Lagging behind committed targets under Net Zero 2035
- Emerging regulatory and environmental issues

**Our Responses**

- Strong ESG performance overseen by the Sustainability Advisory Committee
- Regular review and monitoring of progress towards Net Zero 2035 targets
- Maintain ongoing communication with stakeholders

**Related Sections**

- Sustainability Compendium


## Our Commitment

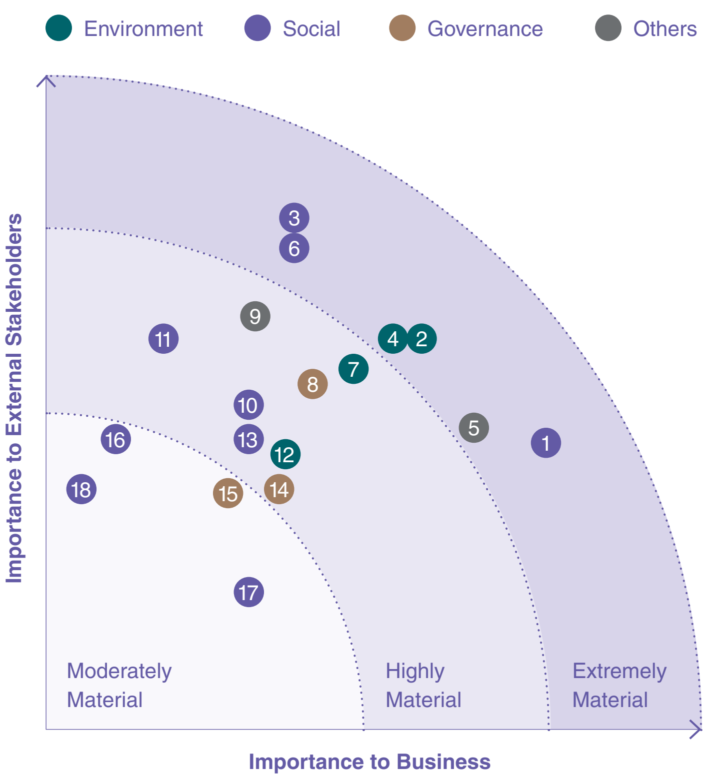
We have meticulously identified and assessed the key external, strategic, operational, and ESG risks that could potentially impact our business. We are deeply committed to actively managing these risks through our comprehensive RM360 risk management framework. This framework, coupled with our risk governance structure, equips us with the necessary tools to make informed decisions and ensure business resilience.

We will continuously monitor these risks, track key risk indicators, and adjust our strategies in response to changes in our business environment. This includes regular reviews of market trends, financial indicators, economic indicators, and ESG performance. Our goal is to remain proactive in risk management, ensuring that our approach evolves in line with emerging trends and new information.

Moreover, we are committed to maintaining an open dialogue with our stakeholders, sharing updates on risk management and how we are safeguarding their interests. Through this robust approach, we aim to continue enhancing Link's value proposition, demonstrating our dedication to prudent risk management, and solidifying our position as a trusted real estate investor in the APAC region. Our risk management strategy is an integral part of our operations, providing the foundation for our continued growth and success.

# Materiality: Core Driver for Management and Growth

Materiality serves as the foundation for managing and expanding our company.




**List of Material Issues**

1. Talent Development and Retention
2. Energy Efficiency
3. Tenant, Shopper and Business Partner Management
4. Waste Management
5. Economic and Financial Performance
6. Stakeholder Engagement
7. Climate Change Resilience and Decarbonisation
8. Sustainable Finance
9. Brand Awareness and Reputation
10. Materials and Supply Chain Management
11. Technology and Innovation
12. Water Management
13. Employee Well-being
14. Responsible Investment
15. Corporate Governance and Risk Management
16. Community Investment and Development
17. Occupational Health and Safety
18. Diversity and Inclusion

Although most material issues are shared across the industry, it is the company-specific impact that shapes our materiality management. Our established assessment process factors in sector-defining megatrends, stakeholder expectations, and company-specific risks identified through our Enterprise Risk Management. The recent review of material risks under Link 3.0 confirms the effectiveness of this process, emphasising the context of risk management. Our challenge lies in scaling our expertise and expanding our risk radar to adeptly navigate the evolving landscape of operations and expectations.

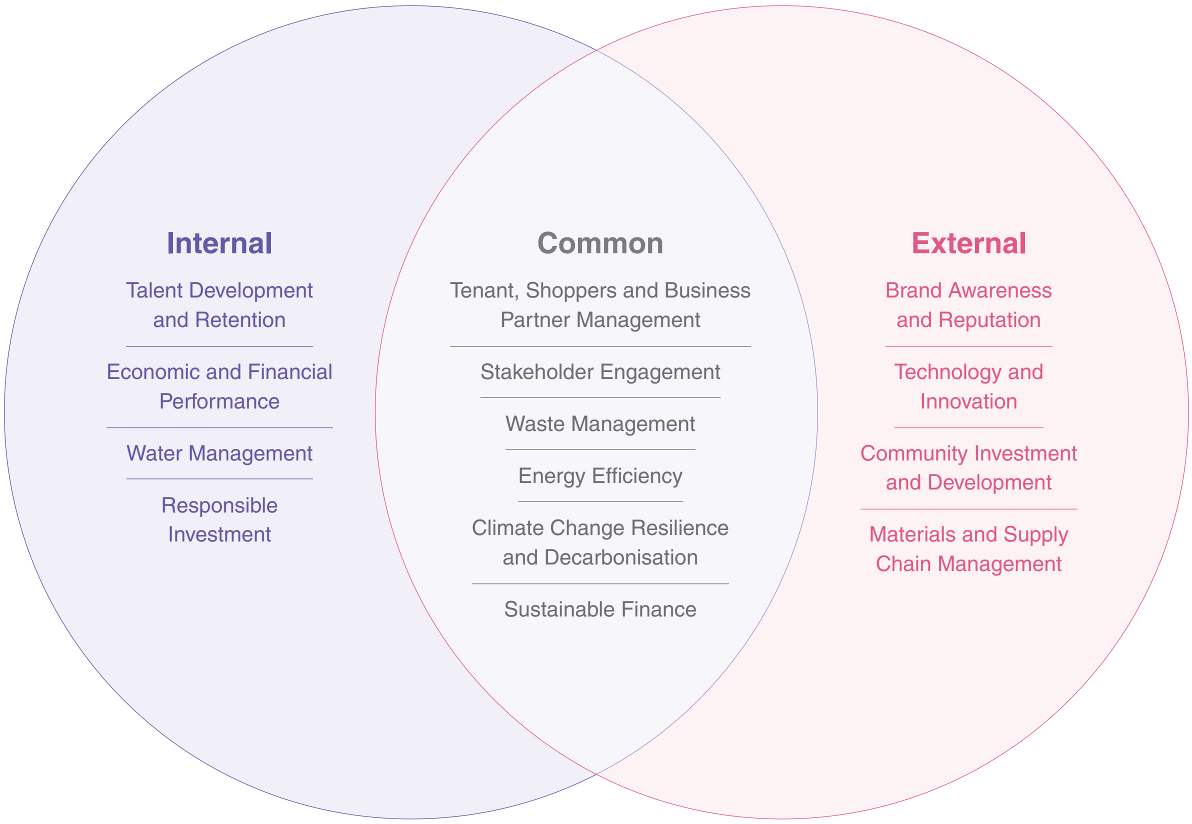
Risk Management 360 (RM360) is our integrated approach for the assessment of enterprise risk and ESG materiality. This holistic approach ensures that our corporate and sustainability strategies are aligned, risk-informed, and that we fully integrate material ESG issues into our enterprise risk management system.

## Approach

Regular stakeholder engagement drives our RM360 process. Each of Link's business units is responsible for the ongoing identification, assessment, and management of existing and emerging risks, including ESG and climate risks. This empowers business units and individual Linkers to monitor risk and execute defined mitigation strategies.

Our Sustainability and Risk Governance teams are responsible for collectively compiling, maintaining and monitoring the corporate materiality matrix and risk register. Key risks and the respective changes in risk momentum are monitored by the Risk Governance team, with the corresponding departments or functions as the risk owners. To supplement the regular internal process, we periodically conduct formal internal and external stakeholder engagement to further understand stakeholders' concerns towards recent market trends and emerging risks. We use these processes to identify risks and material issues and to rank them based on their likelihood and impact. Key risks, including ESG and climate risks, and mitigating measures are entered into our risk register.

Key risks are reported to and discussed with senior management monthly for monitoring and to formulate mitigating actions. The Board's Audit and Risk Management Committee meets regularly and is the designated Board committee for the review of key risks. Our Board is ultimately responsible for providing risk management direction and ensuring the effectiveness of the materiality assessment




and enterprise risk management and internal control (RM&IC) frameworks. The Internal Audit Department acts as an independent assessor of the risk management system by performing assessment on the adequacy and effectiveness of the company's risk management system.

RM360 is a key component driving our corporate risk and sustainability strategies. We regularly review and update our sustainability focus areas by mapping to the risk assessment and materiality matrix. This helps us prioritise our work and ensures our sustainability initiatives are important and relevant.

## Materiality Matrix 2022/2023

In 2022, we engaged an external consultant to conduct an in-depth materiality and risk assessment including conducting surveys and workshops for internal and external stakeholders. Stakeholder groups engaged include staff across 16 internal departments, as well as tenants, suppliers, investors, financial institutions, community groups and NGOs.

We asked internal stakeholders to rank material issues based on what they consider are material to Link and external stakeholders to rank material issues based on what they find important for their own businesses. This approach allows us to identify the most material issues for Link and allows us to identify common areas that are important to internal and external stakeholders where we can work together using the Business as Mutual approach.

For 2022/2023, we reviewed and updated the materiality matrix results and confirmed the prioritisation of key issues with minor adjustments. The material issues remain aligned with our 2022/2023 sustainablity focus areas and we expect that our continued work in each of the sustainability focus areas will provide further mitigation against the listed key risks.

By remaining vigilant of the megatrends that define our sector, we can make strategic decisions and refine our approach to best navigate the evolving landscape.

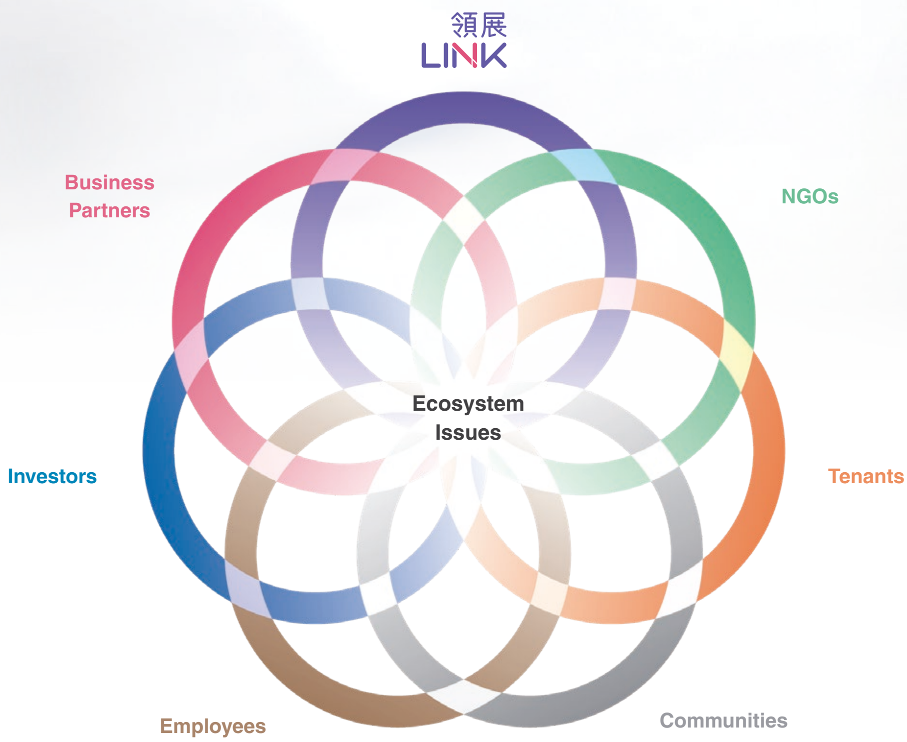
# TRUSTED **PARTNER**

Link's standing as a trusted partner is grounded in our commitment to deliver unparalleled value, foster transparency, and practice ethical conduct across all aspects of our business.

Link lives its purpose and values in all that we do. Our recognised track record of transparency, accountability and highest ethical standards attests to our reputation as the region's preeminent real estate investment manager. These hallmarks of management and good governance continue to shape how we deliver on our business strategy as we explore opportunities that invite new partnerships and service platforms outside our established sphere of practice for portfolio expansion in the APAC.

Being a trusted partner is foundational to the structure and management of our business model whether we elect to take a minority ownership position, manage third party's portfolios or enter into a new class of real estate assets. Our commitment to deliver value starts with the clear understanding and respect for our partners and stakeholders and their key drivers to build the long-term trust beyond the project.

Our unwavering dedication to being a trusted partner has been a key factor in our success and will remain at the core of Link.




Stakeholders work around common and material ecosystem issues dynamically under our Business as Mutual model

T Town, Hong Kong, China

# FINANCIAL

Link has demonstrated continued resilience amid a persistently challenging market, marked by nearly three years of closed borders since 2019 and an unexpected escalation in interest rates due to rising inflation from mid-2022. During 2022/2023, we achieved mid-single-digit revenue growth, whilst maintaining a steady distributable amount.

**98.0%**
Hong Kong Retail Occupancy

**17.8%**
Net Gearing Ratio

Our unwavering efforts in asset management have led to high and stable occupancy rates across all of our retail portfolios across our operating geographies. A record-high occupancy rate of 98% has been reached within our retail portfolio in Hong Kong. Occupancy rates in Australia retail portfolio have continued to increase and sit at 96.9%. Despite the challenges brought about by the pandemic, our Mainland China retail portfolio occupancy remained high at 95.2%, significantly improved from 92.1% as at 30 September 2022. Furthermore, our Singapore retail portfolio achieved near-full occupancy.

Throughout the year, our team at Link has successfully signed over 670 new leases in the Hong Kong portfolio. The reversion rate of the Hong Kong retail portfolio has increased to 7.1%, reflecting our relentless efforts over the past few years to refine our tenant mix, boost portfolio productivity and foster steady growth in rental income.

Link's Hong Kong tenants have a track record of retail sales outperformance compared with the local market. This notable success in achieving organic growth has been driven by our concerted efforts in active asset management and judicious capital management. Our strong balance sheet is manifested by our healthy net gearing ratio of 17.8%, effectively weathering the headwinds brought about by the higher interest rate environment. These measures have reinforced the robustness of our income streams and assured the availability of diverse funding options to support our strategic expansion.


Fu Tung Plaza, Hong Kong, China

# PORTFOLIO


388 George Street, Sydney, Australia

## Our portfolio value has increased by six times since our listing.

We invest across various asset classes and geographies to manage risk, optimise returns and maintain stability amid market challenges.

Our recent acquisitions in Australia, Mainland China and Singapore enhanced the resilience of our diverse real estate portfolio, comprising logistics, retail, and office spaces across APAC. As of the date of this report, we have completed 32 property acquisitions since listing.

Our commitment to enhancing asset productivity is evidenced by the Mainland China retail portfolio's 95.2% occupancy and the Hong Kong retail portfolio's record-high 98.0% occupancy rate, showcasing strong asset management capabilities and dedication to quality community retail infrastructure. Our office properties are similarly productive, with the international office portfolio maintaining ~90% occupancy and ~5.7 year WALE.

We strategically invest in asset enhancement across our portfolios, with capital expenditure of HK$159 million deployed across four Hong Kong properties this year. An additional HK$640 million has been earmarked for future projects.

Our steady focus on portfolio diversification, resilience and productivity allow us to navigate uncertain market conditions, minimise risks and drive sustainable value for our Unitholders, supported by quantifiable results. We undertake a holistic asset-by-asset risk assessment; all properties in the Greater Bay Area and Singapore have undergone flood risk assessments and we have implemented mitigation measures.

*For more details, please see page 48 of our Operational Highlights and pages 27 and 36 of our Sustainability Compendium: Responsible Investment and Climate Resilience and Adaptation.*

**8.8%**
Portfolio value growth (YoY)

**25.9%**
% of assets located beyond Hong Kong

# TALENT

Our Talent Capital strategy, grounded in nurturing, preserving, and protecting our workforce, has garnered awards and recognitions, highlighting our commitment to exceptional talent management.

87%
Employee engagement survey response rate

4.00
Employee engagement score (out of 5)

16.9%
Regrettable turnover for Hong Kong Regional Centre

4.5%
Regrettable turnover for the Mainland China Regional Centre

Our dedication to fostering engagement and employee experience has resulted in prestigious awards such as the Silver Stevie Award in the 2022 Stevie® Awards for Great Employers and the Bronze Award in the 2022 Human Capital Management Excellence Awards.

We have a diverse workforce, encompassing gender, nationality, skillsets and backgrounds, reflecting our strategic emphasis on diversity and inclusion. This approach enables us to capitalise on unique perspectives and expertise, enriching our decision-making processes and strengthening our competitive edge.

By broadening our expertise across real estate asset classes and geographies in APAC we are better positioned to address emerging challenges and capitalise on opportunities. The expansion of our capabilities, from our fourth Regional Centre in Singapore to new senior hires in investment, capital management, and fund management, underscores our commitment to cultivating a workforce that can effectively drive growth and deliver on the Link 3.0 strategy.

Our focus on continuous learning, sustainability integration, and promoting diversity ensures our Talent Capital is well-equipped to support our strategic objectives across diverse real estate asset classes and geographies in APAC.

*For more details, please see page 59 of our Sustainability Compendium: Talent Management.*

# NATURAL

Addressing Natural Capital is essential for organisations to understand and mitigate their environmental impacts, as well as capitalise on opportunities for sustainable growth.

A comprehensive approach to Natural Capital involves monitoring, measuring and managing our environmental footprint, ensuring long-term viability and promoting the responsible stewardship of natural resources.

This past year we actively addressed Natural Capital through initiatives spanning emissions reduction, energy efficiency and waste management. Our accomplishments and activities in these areas demonstrate our commitment to responsible environmental practices and the conservation of our Natural Capital:

- Aligning with the Science Based Target Net Zero Standard, we submitted our SBT Net Zero package and set decarbonisation targets for 2033 and 2050. We conducted emissions inventories and devised reduction strategies to minimise reliance on carbon offsets, demonstrating our commitment to reducing greenhouse gas emissions.
- We executed comprehensive energy audits in Mainland China to identify and prioritise energy-saving opportunities and assess the feasibility of on-site renewable energy generation. These efforts, combined with our Hong Kong energy-saving programme, promote operational efficiency and collaboration with tenants and business partners to reduce our environmental impact.
- To advocate on the pilot scheme of food waste collection by Hong Kong's Environmental Protection Department, we piloted a Food Waste Recycling Challenge which collected over six tonnes of food waste and avoided 3.2 tonnes of carbon emissions. This initiative fostered eco-friendly practices among tenants and consumers, with plans to expand recycling efforts and improve waste diversion rates.

These ongoing activities demonstrate our dedication to enhancing Natural Capital and preparing for the successful implementation of Link 3.0.

*For more details, please see pages 31,49 and 51 of our Sustainability Compendium: Greenhouse Gas Emissions, Energy Efficiency and Waste Management.*

**3.1%**
Electricity intensity reduction[1]

**13.8%**
Carbon intensity reduction[1, 2]

**15.6%**
General waste recovered/recycled

Notes:
(1) Compared to 2018/2019 baseline.
(2) Includes Scope 1 and 2 emissions.

# SOCIAL & RELATIONSHIP

## Building Social & Relationship Capital is crucial for reinforcing our position as a trusted partner.

By engaging and aligning with a range of stakeholders across our value chain – including tenants, suppliers, contractors and the broader community – we create long-term viability and positive impact, securing our social license to operate.

An example of our commitment to stakeholder engagement is the current development project at Anderson Road Quarry in Kwun Tong, Hong Kong. Through focus groups, workshops and other feedback mechanisms, we gathered valuable insights from tenants, contractors and residents. The feedback will be integrated into the mall design, ensuring it meets community needs while enhancing retail experiences and creating synergies with surrounding properties and recreational facilities.

Placemaking remains a key social initiative with activities during the year including, a glamping hiking-themed space at Lok Fu and an art and leisure area at Sha Kok Commercial Centre. These projects foster intergenerational interaction, preserve local culture and reflect our dedication to sustainability through responsible sourcing practices for construction and design materials.

Link Together Initiatives continue to play a vital role in enhancing our Social & Relationship Capital. This flagship philanthropic programme supports innovative projects and addresses the evolving needs, primarily of the Hong Kong community. Since 2021/2022, we supported a project in Mainland China through the Shanghai Smiles Foundation, which enabled 20 students from underprivileged families to be trained and upskilled via a three-year estate management course.

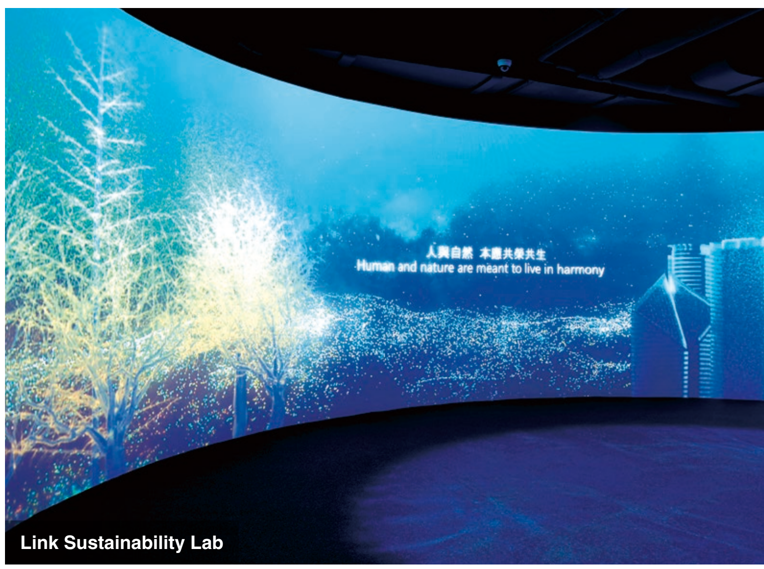
By strategically investing in Social & Relationship Capital, we strengthen trust and foster resilient, sustainable communities.

*For more details, please see pages 16, 62, 63, 65 and 72 of our Sustainability Compendium: Stakeholder Engagement, Tenant Engagement, Community, Supply Chain and Diversity and Inclusion.*

**76%**
Positive brand perception

**90.8**
Customer satisfaction score (out of 100)

**82%**
Tenant satisfaction rate



Link Sustainability Lab


# INNOVATION

We are dedicated to enhancing our Innovation Capital through multiple initiatives that focus on sustainable growth and value creation.

**3,000**

EV charging stations to be installed by 2024

ULI x Link: Landlord – Tenant Decarbonisation Engagement Report

Two noteworthy examples during the 2022/2023 financial year include the Electric Vehicle (EV) Roadmap and our collaboration with the Urban Land Institute's (ULI) Hong Kong Chapter.

Our EV Roadmap represents an innovative approach to utilising existing resources for sustainable development. By leveraging our extensive car park portfolio in Hong Kong, we aim to overcome the shortage of parking spaces and drive EV adoption. In partnership with three leading EV charging service providers, we plan to provide 3,000 charging points across 15 districts by 2024, becoming the largest private provider of public EV charging points in Hong Kong. This initiative not only offers charging solutions for EV drivers at any point in their journey but also helps to optimise energy consumption by using idle electricity at shopping malls after business hours.

In collaboration with ULI, we delivered a report for Landlord – Tenant Decarbonisation Engagement based on our Business as Mutual mindset. This report details tenant engagement transformation pathways and highlights four critical components: awareness building, incentives & accelerators, win-win Partnerships, and data management. This pioneering approach, with its expansive potential across APAC real estate, charts a course towards a sustainable, low carbon future.

These initiatives exemplify our commitment to innovation, underscoring our dedication to promoting a low carbon lifestyle and supporting ongoing smart city and decarbonisation efforts.

*For more details, please see page 16 and 74 of our Sustainability Compendium: Stakeholder Engagement and Innovation.*

# Operational Highlights

## Overall Financial Results

Revenue and net property income increased 5.4% and 4.8% year-on-year to HK$12,234 million (2022: HK$11,602 million) and HK$9,198 million (2022: HK$8,776 million), respectively, mainly due to better performance in Hong Kong and a reduction in the level of rental concessions granted to tenants, offset by weaker performance in Mainland China under COVID restrictions.

Finance costs increased 74.5% to HK$1,754 million (2022: HK$1,005 million), attributable to the sharp increases in interest rates since March 2022 and a higher debt balance in support of new acquisitions. Notwithstanding, the total distributable amount, excluding the discretionary distribution paid in 1H 2021/2022, edged up 0.6% to HK$6,311 million in 2022/2023 (2022: HK$6,273 million).

Valuation of the investment property portfolio increased to HK$237,469 million (31 March 2022: HK$212,761 million), mainly due to HK$17,791 million of asset acquisitions and fair value gains of HK$9,367 million, partly offset by HK$3,131 million of foreign currency depreciation. After the completion of our HK$18.8 billion one-for-five rights issue (the Rights Issue) in March 2023, our net assets attributable to the Unitholders strengthened 16.1% to HK$188.9 billion (31 March 2022: HK$162.7 billion).

Following the completion of the Rights Issue at March end, Link's units in issue increased by 20%. Accordingly, the distribution per unit (DPU) for the year reduced 10.3% to HK274.31 cents (2022: HK305.67 cents), comprising an interim DPU of HK155.51 cents (2022: HK159.59 cents) and a final DPU of HK118.80 cents (2022: HK146.08 cents). Net asset value per unit also decreased by 4.0% to HK$73.98 (31 March 2022: HK$77.10). Excluding the discretionary distribution of HK7 cents in 2021/2022 and the dilutive impact of our Rights Issue, like-for-like DPU for the year was largely maintained.

# PORTFOLIO OVERVIEW

We own and manage a high-quality portfolio with 130 community commercial assets, including non-discretionary retail assets, fresh markets, car parks and an office asset in Hong Kong, together with 57,000 car park spaces attached/adjacent to public residential estates with direct connectivity to major public transportation hubs.

These community commercial assets offer daily necessities and essential services to shoppers, while parking services are made available to residents of the surrounding estates and the general public. These assets are an integral part of Hong Kong's consumption infrastructure which provides us with resilient revenue streams throughout economic cycles. The Quayside, a joint-venture office building in Kowloon East of which we own 60%, and two car park/car service centres and godown buildings in Hung Hom and Chai Wan, provide us with additional growth avenues.

At the beginning of the financial year, the Hong Kong retail market was still vulnerable as it dealt with the aftermath of the most severe wave of the COVID pandemic locally. Social distancing and travel restrictions were relaxed progressively and in an orderly manner throughout the year and by the start of 2023, Hong Kong had fully resumed cross-border travel with Mainland China. The lifting of anti-pandemic measures in the first quarter of 2023, marked a gradual return to normalcy, with retail sales returning to a growth trajectory. However, the deteriorating external economic environment and tightened financial conditions have weighed on the pace of Hong Kong's recovery. As a result, the retail market has yet to see a rebound; the retail sales in the first quarter of 2023 were still ~18% lower than the pre-pandemic level in 2019.

Amidst this backdrop, our Hong Kong portfolio continued to demonstrate resilience, underpinned by our record high occupancy and robust rental reversion. Revenue and net property income grew 5.9% and 6.8% year-on-year. The overall rental collection rate remained high at 99% during the financial year.

HONG KO

## 2022/2023 Highlights

Jurong Point, Singapore

**1** Net property income increased 4.8% year-on-year.

**2** Earnings and valuation continued to deliver steady growth, thanks to our effective diversification strategy which has underpinned our resilience across market cycles.

**3** Strengthened financial position via the Rights Issue completed in March 2023, reducing the net gearing ratio to 17.8% and with no refinancing needs in the next 12 months.

**4** Entry into the Singapore real estate market with a platform that provides the potential to support our aspiration of strategic growth with third-party capital partners.

## Retail

- Portfolio occupancy reached a historical high at 98.0% at the end of the financial year, thanks to our well-positioned and high-quality community commercial assets, as well as our strong asset management capabilities.

- Although market conditions remained soft throughout most of the financial year, our overall tenant gross sales largely recovered, surpassing 2019 pre-COVID levels. Overall tenant gross sales per square foot (psf) reported a solid 6.2% year-on-year growth. During the year, our tenants benefitted from the improved consumer sentiment with the further relaxation of social distancing measures. Our overall rent-to-sales ratio edged down to 12.5% as tenant sales continued to trend upwards. The overall average reversion rate of our Hong Kong retail assets maintained its growth momentum, increasing to 7.1%.

- Albeit there has not been a significant rebound in the retail market, Hong Kong's retail sales figures have gradually picked up, with leasing sentiment showing moderate improvements. Enticed by the strong and predictable footfall, easy accessibility and the strong connectivity of our community commercial assets, chain retailers migrated from prime shopping areas to our assets. Link signed over 670 new leases in Hong Kong, while average unit rent rose to HK$63.8 psf.

- To revitalise and improve our assets in response to new industry trends and changes in shoppers' preferences, we have completed multiple asset enhancement initiatives during the year. In addition to the asset enhancement projects in Lok Fu Market, Tai Yuen Market and Tak Tin Market which were completed in 1H 2022/2023, we also completed the Fung Tak asset enhancement in 2H 2022/2023. Capital expenditure of HK$35 million, HK$27 million, HK$74 million and HK$23 million was deployed for Lok Fu Market, Tai Yuen Market, Tak Tin Market and Fung Tak, with estimated return on investments of 23.7%, 21.8%, 9.3% and 14.0%, respectively.

Butterfly Plaza, Hong Kong, China

- We are currently executing asset enhancement initiatives in Tung Tau Market, Kai Tin, Butterfly and Sau Mau Ping during the year. Planned capital expenditure for each project amounts to HK$26 million, HK$139 million, HK$26 million and HK$50 million, respectively. Target completion dates range from mid-2023 to early-2024. Furthermore, we have earmarked over HK$640 million of capital expenditure for projects under planning and statutory approval.

- Hong Kong's economic recovery appears to be back on track following the end of anti-pandemic measures. As the market exhibited modest signs of recovery, retail consumption, consumer confidence and leasing demand have slowly but gradually gained momentum. The Consumption Voucher Scheme 2023 with a value of HK$5,000 by the Government, coupled with the rise in minimum wage effective in May 2023, are expected to provide impetus for local consumption and therefore our tenant sales growth. Acknowledging the possible implications of increasing interest rates, we maintain a positive long-term outlook for Hong Kong's retail sector, in particular non-discretionary retail.

ONG

## Revenue Breakdown

| | Year ended 31 March 2023 HK$'M | Year ended 31 March 2022 HK$'M | Year-on-year change % |
|---|---|---|---|
| **Retail rental:** | | | |
| Shops[1] | **4,965** | 4,919 | 0.9 |
| Markets/Cooked Food Stalls | **1,025** | 977 | 4.9 |
| Education/Welfare and Ancillary | **146** | 141 | 3.5 |
| Mall Merchandising | **184** | 186 | (1.1) |
| **Expenses recovery and other miscellaneous revenue[2]** | **1,021** | 866 | 17.9 |
| **Total retail revenue** | **7,341** | 7,089 | 3.6 |

Notes:
(1) Rental from shops included base rents of HK$4,861 million (2022: HK$4,830 million) and turnover rents of HK$104 million (2022: HK$89 million).
(2) Other miscellaneous revenue includes management fees, air conditioning service fees, promotion levies and miscellaneous revenue.

## Operational Statistics

| | Occupancy rate | | Reversion rate | | % of total area[1] |
|---|---|---|---|---|---|
| | As at 31 March 2023 % | As at 31 March 2022 % | Year ended 31 March 2023 % | Year ended 31 March 2022 % | As at 31 March 2023 % |
| Shops | **98.3** | 98.1 | **5.7** | 2.9 | **83.8** |
| Markets/Cooked Food Stalls | **96.1** | 95.2 | **15.1** | 19.0 | **9.4** |
| Education/Welfare and Ancillary | **97.1** | 97.0 | **1.2** | 6.7 | **6.8** |
| **Total** | **98.0** | 97.7 | **7.1** | 4.8 | **100.0** |

Note:
(1) Total excluding self-use office.

## Tenant Retail Gross Sales Growth and Rent-to-sales Ratio

(Year ended 31 March 2023)

| Trade | Tenant retail gross sales growth psf % | Rent-to-sales ratio[1] % |
|---|---|---|
| Food and Beverage (F&B) | **10.5** | **13.2** |
| Supermarket and Foodstuff | **(1.3)** | **11.3** |
| General Retail[2] | **9.6** | **13.0** |
| **Overall** | **6.2** | **12.5** |

Notes:
(1) A ratio of base rent (excluding management fees) to tenant retail gross sales psf.
(2) Including clothing and accessories, department stores, electrical and household products, personal care/medicine, optical, books and stationery, newspapers, valuable goods, services, leisure and entertainment, and other retail.

Lei Yue Mun Plaza, Hong Kong, China

## Portfolio Breakdown

| Properties | No. of properties | Retail property valuation[2] | Retail rentals | Average monthly unit rent[1] | | Occupancy rate | |
|---|---|---|---|---|---|---|---|
| | As at 31 March 2023 | As at 31 March 2023 HK$'M | Year ended 31 March 2023 HK$'M | As at 31 March 2023 HK$ psf | As at 31 March 2022 HK$ psf | As at 31 March 2023 % | As at 31 March 2022 % |
| Destination | 6 | 27,303 | 1,236 | 78.1 | 76.5 | 97.2 | 97.7 |
| Community | 35 | 71,118 | 3,577 | 71.0 | 69.7 | 98.4 | 98.2 |
| Neighbourhood | 57 | 30,670 | 1,507 | 46.1 | 45.5 | 97.8 | 97.1 |
| **Total** | 98 | 129,091 | 6,320 | 63.8 | 62.7 | 98.0 | 97.7 |

Notes:
(1) Average monthly unit rent represents the average base rent (excluding management fees) per month psf of leased area.
(2) Excluding a parcel of commercial-use land off Anderson Road, Kwun Tong of HK$728 million.

## Trade Mix

(As at 31 March 2023)

| Trade | By monthly rent[1] % | By leased area % |
|---|---|---|
| Food and Beverage | 27.6 | 29.5 |
| Supermarket and Foodstuff | 22.5 | 17.5 |
| Markets/Cooked Food Stalls | 17.4 | 9.2 |
| Services | 10.4 | 10.6 |
| Personal Care/Medicine | 5.3 | 3.9 |
| Education/Welfare and Ancillary | 1.0 | 6.8 |
| Valuable Goods (Jewellery, watches and clocks) | 0.7 | 0.4 |
| Others[2] | 15.1 | 22.1 |
| **Total** | 100.0 | 100.0 |

Notes:
(1) Refers to base rent (excluding management fees).
(2) Others include clothing and accessories, department stores, electrical and household products, optical, books and stationery, newspapers, leisure and entertainment.

## Lease Expiry Profile

(As at 31 March 2023)

| | % of total area % | % of monthly rent[1] % |
|---|---|---|
| 2023/2024 | 30.0 | 31.9 |
| 2024/2025 | 32.4 | 31.0 |
| 2025/2026 and Beyond | 30.8 | 31.4 |
| Short-term Lease and Vacancy | 6.8 | 5.7 |
| **Total** | 100.0 | 100.0 |

Note:
(1) Refers to base rent (excluding management fees).

T Town, Hong Kong, China

## Property Development

- On 31 August 2022, we announced the acquisition of a parcel of non-office, commercial-use land off Anderson Road, Kwun Tong for a land premium of HK$766 million. Leveraging our core strengths of non-discretionary retail, we intend to develop this land into a community commercial asset equipped with a fresh market and car parks to serve the growing catchment. The total development cost (including land premium) is expected to be approximately HK$1.6 billion.
- Upon completion in 2027, this community commercial asset, which is located in the Sau Mau Ping area, will provide connectivity to the neighbouring populous housing estates and sustainable organic growth potential. This strategic location will enable us to create synergies with our multiple assets in the locale and will sharpen our competitive edge through trade and tenant mix optimisation.

Tin Yiu Plaza, Hong Kong, China

## Car Parks and Related Business

- Revenue from car parks and related business rose 12.3% year-on-year, owing to ongoing improvements in monthly and hourly car park income and the full-year contribution from our two new car park/car service centres and godown buildings in Hung Hom and Chai Wan. These two assets offer new recurrent earning streams with long-term leases and built-in annual rental escalations.
- Our car park business delivered sound performance as both monthly and hourly ticket sales rose steadily amidst the easing of social distancing measures. Moreover, both monthly and hourly car park rental income exceeded their 2019 pre-COVID levels. Monthly car park rental income grew 4.6%, mainly attributable to the mid-single-digit monthly car park tariff increment effective in August 2022. Hourly car park rental income increased 7.1% year-on-year, due to a mid-single-digit increase in car park tariffs and the higher sales number for hourly tickets.
- Car park income per space per month saw promising growth, rising by 5.3% year-on-year to HK$3,226.
- As at 31 March 2023, average car park valuation per space was approximately HK$725,000, a 19.4% year-on-year increase.

## Revenue Breakdown

| | Year ended 31 March 2023 HK$'M | Year ended 31 March 2022 HK$'M | Year-on-year change % |
|---|---|---|---|
| **Rental income:** | | | |
| Monthly car parks | **1,587** | 1,517 | 4.6 |
| Hourly car parks | **601** | 561 | 7.1 |
| Car parks related business(1) | **207** | 52 | 298.1 |
| **Expense recovery and other miscellaneous revenue** | **6** | 8 | (25.0) |
| **Total car parks and related business revenue** | **2,401** | 2,138 | 12.3 |

Note:
(1) Refers to contributions from two car park/car service centres and godown buildings in Hung Hom and Chai Wan.

The Quayside, Hong Kong, China

T Town, Hong Kong, China

## Office

- The occupancy rate of The Quayside, our joint-venture office building, remained high at 98.2% as at the end of the financial year, notwithstanding weakened demand for offices.
- The ongoing "flight-to-quality" trend in the office sector has benefited assets with best-in-class building specifications, with sustainability being an increasingly important factor in major corporates' decisions to rent. This continued trend bodes well for The Quayside, which is located in the heart of Kowloon East, the up-and-coming new business hub in Hong Kong, featuring leading building standards and possessing internationally recognised sustainability certifications including LEED Platinum, BEAM-Plus Platinum and WELL Gold.

## Property Operating Expenses

- Our effective and stringent cost control curbed the total property operating expenses, with top-line growth outpacing our incremental expenses. Total property operating expenses increased 3.2% year-on-year. This increment mainly due to higher utility expenses and promotion and marketing expenses. Our net property income margin expanded to 76.9% (2022: 76.3%).
- Staff costs decreased by 5.2% due to the adjustment of the long-term incentive scheme provision, resulting from the lower unit price compared to the prior year-end.
- Hong Kong's two power suppliers raised tariffs considerably during the year; we have stepped up our efforts in implementing energy efficiency measures and adopted a wide range of energy-saving initiatives across the portfolio. The increase in utility expenses was 8.8% year-on-year.
- As retail markets continue to recover from the aftermath of COVID, we bolstered efforts to boost overall sales and drive footfall, organising an array of innovative marketing campaigns. This increased promotion and marketing expenses by 12.1% year-on-year.

## Property Operating Expenses Breakdown

| | Year ended 31 March 2023 HK$'M | Year ended 31 March 2022 HK$'M | Year-on-year change % |
|---|---|---|---|
| Property managers' fees, security and cleaning | **611** | 599 | 2.0 |
| Staff costs | **436** | 460 | (5.2) |
| Repair and maintenance | **218** | 212 | 2.8 |
| Utilities | **285** | 262 | 8.8 |
| Government rent and rates | **281** | 279 | 0.7 |
| Promotion and marketing expenses | **195** | 174 | 12.1 |
| Estate common area costs | **98** | 102 | (3.9) |
| Provision for impairment of trade receivables | **16** | – | N/A |
| Other property operating expenses | **181** | 160 | 13.1 |
| **Total property operating expenses** | **2,321** | 2,248 | 3.2 |

# PORTFOLIO OVERVIEW

Our Mainland China portfolio comprises retail assets, an office asset and logistics assets in tier-one cities and the surrounding river delta areas. The operating environment for Mainland China retail remained challenging for a large part of the financial year due to the prolonged lockdowns in various cities and provinces and the resultant slowdown in economic activities. Towards the end of 2022, Government in Mainland China announced the end of anti-pandemic measures. Following the reopening, business sentiment and leasing demand accelerated as the market steadily reverted to normalcy. Mainland China's retail market showed a rebound after the Chinese New Year.

The pandemic-driven turbulence exerted pressure on the total revenue of the Mainland China portfolio, which declined 5.9% year-on-year (increased 0.7% in Renminbi terms). Net property income fell by 9.8% (fell by 3.5% in Renminbi terms), mainly due to the decrease in revenue triggered by the deteriorating pandemic situation throughout most of the year, partly offset by new contributions from logistics assets. In line with our business as mutual mindset, Link provided a total of RMB48 million in rental concessions and property management fee waivers to tenants heavily impacted by the pandemic. Despite the challenging market conditions, our overall rental collection rate maintained a healthy level of 97% during the financial year.

## Retail

- Throughout most of the financial year, business activities in the retail sector were dampened by COVID prevention measures. Some of our tenants, such as F&B outlets, gyms and entertainment venues, were subject to mandatory suspension. As a result, revenue from our Mainland China retail portfolio was impacted.
- Amidst the challenging operating conditions, we demonstrated agility and flexibility in our leasing strategy and shifted our leasing focus from maintaining positive rental reversions to increasing occupancy. As at 31 March 2023, portfolio occupancy (including Qibao Vanke Plaza in Shanghai, our Qualified Minority-owned Property) remained high at 95.2%, significantly improved from 92.1% as at 30 September 2022. Our average retail reversion rate (including Qibao Vanke Plaza in Shanghai, our Qualified Minority-owned Property) was -3.0%; nevertheless, reversion rates are expected to return to positive territory next year.
- Link has extended various supportive measures to help our tenants in need. In addition to rental concessions, we also tailored flexible leasing arrangements for tenants to assuage their operating pressures. These included lease restructuring, payment deferrals and other payment arrangements. Meanwhile, we increased our physical and social marketing efforts to boost footfall and tenant sales, offering a holistic approach to the promotion of sales activities in our shopping malls.
- Some of the most significant transformations in Mainland China's retail landscape included a shift towards a more mindful and discerning approach to purchasing decisions, as opposed to impulse based buying habits. These changes were allied to an increased focus on local brands and growing recreational demand. In response to these emerging trends, we modified our leasing strategy, introducing contemporary and experiment-based tenants and sporting activities. These initiatives included an outdoor bar with a camping theme, a rock-climbing wall, a skateboarding zone, and an indoor child playroom.
- Unlocking the full potential of our assets is key to propelling value creation for our Unitholders. We have planned a capital expenditure of RMB200 million for the first phase of asset enhancement of Link Plaza Tianhe (formerly known as Happy Valley Shopping Mall) in Guangzhou, with a focus on unleashing the intrinsic value of the area previously occupied by a department store. These asset enhancement works commenced in September 2022. We have curated an optimised trade mix that is leisure-based and includes the introduction of indoor play areas and other entertainment facilities, all with the aim of increasing customer engagement. Experiential shopping is becoming an increasingly important feature of our malls; our outdoor piazza will be transformed into a new leisure area that combines new dining and leisure offerings to draw increased footfall across a range of shopper demographics. Multiple elements of the mall, such as the façade and interior décor, have been upgraded to enhance the shopping ambience and customer experience.


Link Plaza • Guangzhou, China

## Lease Expiry Profile

(As at 31 March 2023)

| | Retail[1] | | Office | |
|---|---|---|---|---|
| | % of total area<br>% | % of monthly rent[2]<br>% | % of total area<br>% | % of monthly rent[2]<br>% |
| 2023/2024 | 26.5 | 30.8 | 14.0 | 15.5 |
| 2024/2025 | 17.4 | 27.3 | 13.5 | 16.5 |
| 2025/2026 and Beyond | 51.3 | 41.9 | 68.0 | 68.0 |
| Vacancy | 4.8 | – | 4.5 | – |
| **Total** | 100.0 | 100.0 | 100.0 | 100.0 |

Notes:

(1) Qibao Vanke Plaza's leases were included.

(2) Refers to base rent (excluding management fees).

## Office

- Despite the new office supply in Shanghai, occupancy of Link Square in Shanghai, which consists of two prime Grade A office towers remained solid at 95.5% as at 31 March 2023. Link adopted a proactive leasing strategy focused on retaining high-quality tenants while exercising flexibility on rental reversion. As such, rental collection stabilised to nearly 100%, while negative reversion for office improved from -18.2% in 1H 2022/2023 to -14.5% for full year.
- At the end of the financial year, we completed our asset enhancement for Link Square; the lobby and the common areas were rejuvenated, positioning the office to attract post-pandemic demand.

## Logistics

- Our logistics portfolio comprises three high-quality logistics assets, well connected to the key transportation hubs situated in the top-tier cities in the Greater Bay Area and Yangtze River Delta. These assets are all fully occupied with a weighted average lease expiry (WALE) of 1.7 years, reinforcing the substantial growth potential driven by the burgeoning leasing demand from the e-commerce sector. Leases in our logistics portfolio provide a stable rental escalation term of 4-5%.
- In April and May 2023, we completed the acquisition of two logistics assets in Changshu. The contribution of these assets will be recognised in our 2023/2024 financial statements. Leasing sentiment for Changshu South was vibrant, our asset here being fully let. Leasing of Changshu North is in progress, and this space is gradually filling up. Changshu's location makes it a natural extension of Shanghai and a highly desirable address for supply chain operations.
- The logistics leasing sector has become a critical component of the supply chain, benefitting from the increasing prominence of online sales. Meanwhile, our retail portfolio complements the growth of our logistics assets to create synergies with our pre-existing tenant base. Given the growth potential, we have set up local teams to drive the execution of our growth strategy in the logistics sector. We are confident in the prospects of this sector, and will gear towards investing logistics assets in established major transportation hubs that offer promising entry yields and steady rental growth potential.


Warehouse in Dongguan, Dongguan, China

# PORTFOLIO OVERVIEW

Our international portfolio comprises 12 retail and office sector assets across Australia, Singapore and the United Kingdom. This geographically diversified portfolio enables us to seize opportunities from outside of our home market and enhance our returns to Unitholders through active management across sectors and locations. During the year, we completed three acquisitions: a 50% interest in three retail assets in Sydney; a 49.9% interest in a trust which holds five prime office assets in Australia; and two retail assets in Singapore. These transactions helped to drive the scale and reach of our portfolio, with the objective of providing our Unitholders with better long-term returns and offering resilience across economic cycles and different geographies and sectors.

Revenue and net property income from our international portfolio increased 34.4% and 15.0% to HK$648 million and HK$390 million respectively, mainly attributable to the contributions from newly acquired assets in Australia. Overall rental collection rate maintained at 96% during the financial year.

## Retail

### Australia

- With the completion of the acquisition of a 50% interest in the three iconic retail assets in Sydney, the Queen Victoria Building, The Galeries and The Strand Arcade started contributing to our financial results in July 2022. Occupancy increased to 96.9% as a result of higher tenant demand spurred by improving tenant sales and footfall. The return of international tourists, and improvements in macroeconomic fundamentals, coupled with our distinct and complimentary positioning and trade mix, has translated into more robust leasing demand. Tenant sales achieved 12.5% growth since the acquisition.
- During the year, the retail sector was upbeat, becoming one of the bright spots of the Australian economy. Consumer spending was lifted by pent-up demand and supported by Australia's economic recovery. To capitalise on post-pandemic shopping preferences, we have introduced iconic retailers and F&B operators into our shopping malls. Moreover, leveraging the unique position of our retail assets, we are working with the city council to ramp up Sydney's night-time economy.
- We will upgrade the frontage of the Queen Victoria Building and The Galeries to fully capture the value of these high-quality assets. Tapping into the opportunities arising from the activation of George Street as the major pedestrian boulevard in the city, Queen Victoria Building will be invigorated by placemaking and the introduction of arts and cultural programmes.

The Strand Arcade, Sydney, Australia

### Singapore

- During the year, Link announced the acquisition of two suburban retail assets in Singapore. This acquisition reinforced our dedication to increasing our exposure in the international market. Capitalising on a core expertise of Link, the management of non-discretionary retail assets, we jump-started our asset-lighter strategy by entering into a 10-year asset and property management service agreement for a third suburban retail mall, AMK Hub, which will remain under the Mercatus Co-operative's ownership. Having completed the acquisition of Jurong Point and Swing By @ Thomson Plaza at the end of the reporting year, these assets will start contributing to our financial performance in 2023/2024.

INTERNA

- At the end of March, this portfolio exhibited solid asset fundamentals, anchored by near full committed occupancy of 99.9%.
- With the easing of Safe Management Measures in 2022, Singapore's retail sentiment and corresponding leasing activities have improved, driven by leasing demand from the food and beverage sector. Despite uncertainties arising from goods and services tax (GST) hikes, improved footfall and limited new retail supply in the next few years will support the growth of retail rents.
- To drive our expansion and growth in the Singapore and international markets, we have set up a regional office in Singapore, forming a new market platform with significant potential. Our Singapore team will work closely with our Hong Kong team to leverage the strengths of both teams, replicate the successful asset management approaches already established in Hong Kong and bring value to Singapore and other international markets.

Jurong Point, Singapore

99.9%

Committed Occupancy

126 Phillip Street, Sydney, Australia

## Office

- We have completed the acquisition of a 49.9% interest in a trust with Oxford Properties Group, which holds interests in five prime office assets, namely 126 Phillip Street, 388 George Street, 151 Clarence Street and 347 Kent Street, all in the Sydney central business district (CBD) and 567 Collins Street in Melbourne in June 2022. These premium and grade A office buildings possess outstanding sustainability attributes and have committed long-term leases with quality tenants and annual rental escalations of ~4%.
- WALE of our international office portfolio was ~5.7 years and occupancy was ~90%. These assets offer a steady income stream as a substantial proportion of the leases have embedded annual rental escalation terms. To enhance the attractiveness and increase our customer-centric offering, we are conducting speculative fit-out projects at 347 Kent Street, ready for occupiers to move in seamlessly. Moreover, The Cabot, our office asset in the United Kingdom is currently undergoing lobby refurbishment and speculative fit-out works, elevating tenant experience.
- The flight to high-quality CBD assets continues to influence the trajectory of recovery in the office sector. Our office assets that feature sophisticated design specifications and  are poised to benefit from the gradual return of office workers and rising leasing demand for prime offices.

TIONAL

# Corporate Strategy


We are committed to pursuing our next phase of growth under our Link 3.0 strategy, providing our Unitholders with stable distributions with sustainable long-term growth.

As a leading real estate investor and manager in APAC, we are devoted to driving organic growth through active asset management of our portfolio. We will also actively consider accretive investment opportunities and evaluate potential asset recycling initiatives in order to optimise and diversify our portfolio. Through diversification across sectors and locations, we aim to create a strong foundation that can withstand varying business and economic cycles, decrease our overall business risk and improve returns to our Unitholders.

In addition, we aim to introduce an asset-lighter, third-party capital management business, complementing our current asset investment approach, where most assets are wholly owned. Through co-ownership of investments with capital partners, we can grow our AUM and generate management fees as an additional income stream. This approach aligns with our active management and diversification, capturing trends and opportunities across public and private real estate sectors.

As we advance, we remain focused on the APAC region, which provides a large and growing asset and investment pool and a comprehensive set of investment opportunities, particularly in Australia, Hong Kong, tier-one cities in Mainland China and Singapore. We intend to continue evaluating opportunities across multiple asset classes including retail, car park, office and logistics sectors, while primarily targeting non-discretionary retail and logistics.

Our history of resilience demonstrates our capacity to withstand challenges and achieve sustained growth over time. We aim to further expand our capabilities regionally in different asset classes and in support of our asset-lighter approach. We will continue to carefully manage our cost of funding and financial risks. We are confident in successfully executing Link 3.0 backed by our proven track record in asset, portfolio and capital management. Leveraging on our award-winning governance standards, our ESG stewardship, our experienced and professional team and the support of our stakeholders, we aspire to become a trusted partner in APAC real estate.

# Valuation Review

Pursuant to the requirements of the REIT code, Colliers International (Hong Kong) Limited has retired after serving a term of three years and having completed the valuation as at 30 September 2022. Cushman & Wakefield Limited (C&W) was appointed as the principal valuer of Link and started valuing Link's property portfolio as at 31 March 2023 using the income capitalisation method with cross-reference to market comparables, and in addition, for international properties where international valuation standards require the discounted cashflow method. C&W valued the parcel of commercial land off Anderson Road, Kwun Tong, using the residual method. The valuation methods are respectively in line with market practice of property valuation and in compliance with the Trust Deed and the Manager's compliance manual.

- As of 31 March 2023, the total value of investment properties rose 11.6% year-on-year to HK$237,469 million, mainly due to acquisitions of assets of HK$17,791 million and fair value gains of HK$9,367 million, which was partly offset by HK$3,131 million of foreign currency depreciation.
- The value of our Hong Kong retail properties increased by 5.6% year-on-year to HK$129,819 million due to a higher valuation of the existing portfolio as a result of a slight increase in overall net property income and market rent, and capitalisation rate adjustments. The value of car parks and related business went up by 16.8% to HK$46,823 million, mainly driven by the growth in car parks net passing income and capitalisation rate adjustments. The value of Hong Kong office property decreased by 6.8% to HK$8,255 million as the valuer has adopted a lower market rent given the weak demand for office spaces.
- Our properties in Mainland China (including 50% value of Qibao Vanke) were valued at HK$35,168 million (31 March 2022: HK$38,433 million). The decrease of HK$3,265 million in valuation was mainly attributable to a decrease in overall net property income and capitalisation rate adjustments, partly offset by recent acquisition of Jiaxing Warehouse. Excluding the translation differences and on a like-for-like basis, the value of our Mainland China properties went down by 3.7% in Renminbi terms.
- The valuation of our retail and office buildings (including 49.9% value in the five prime office assets in Sydney and Melbourne) in Australia was HK$2,895 million (31 March 2022: nil) and HK$9,361 million (31 March 2022: HK$4,112 million), respectively. The increase of HK$5,249 million in total value of office buildings in Australia was mainly due to the acquisition of a trust with stake in five prime office assets in Sydney and Melbourne. Retail spaces of HK$2,895 million in total value in Australia were added to the portfolio through the acquisition of 50% interests in three iconic retail properties in Sydney.
- The value of the United Kingdom office building was HK$2,780 million as at 31 March 2023 (31 March 2022: HK$3,862 million). Excluding the exchange loss from the depreciation of British Pound of HK$155 million, the decrease of HK$927 million in valuation was mainly attributable to capitalisation rate expansion against the backdrop of a higher-interest rate environment.
- Our properties in Singapore were valued at HK$13,630 million (31 March 2022: nil).
- Our overseas investments were principally funded by local currency borrowings as currency hedges. The exchange translation differences were largely offset.

## Valuation

| | Valuation | | Capitalisation Rate | |
|---|---|---|---|---|
| | As at 31 March 2023 HK$'M | As at 31 March 2022 HK$'M | As at 31 March 2023 | As at 31 March 2022 |
| **Hong Kong** | | | | |
| Retail properties | 129,819 | 122,878 | 3.10% – 4.50% | 3.10% – 4.50% |
| Car parks and related business | 46,823 | 40,102 | 2.60% – 4.80% | 2.90% – 5.30% |
| Office property | 8,255(1) | 8,860(1) | 3.00% | 3.00% |
| | 184,897 | 171,840 | | |
| **Mainland China** | | | | |
| Retail properties | 26,309(2) | 29,936(2) | 4.50% – 5.00% | 4.25% – 4.75% |
| Office property | 6,364 | 6,782 | 4.25% | 4.25% |
| Logistics properties | 2,495 | 1,715 | 5.00% | 5.00% |
| | 35,168 | 38,433 | | |
| **Australia** | | | | |
| Retail properties | 2,895 | – | 4.88% – 5.25% | N/A |
| Office properties | 9,361(3) | 4,112 | 4.50% – 5.25% | 4.40% |
| | 12,256 | 4,112 | | |
| **United Kingdom** | | | | |
| Office property | 2,780(4) | 3,862 | 6.00% | 5.19% |
| **Singapore** | | | | |
| Retail properties | 13,630 | – | 3.80% – 4.50% | N/A |
| **Total valuation** | 248,731 | 218,247 | | |
| **Total valuation of investment properties** | 237,469(5) | 212,761(5) | | |

Notes:
(1) Represents the office portion only of The Quayside. Includes two floors of The Quayside occupied by Link as at 31 March 2022 and 31 March 2023.
(2) Includes 50% value of Qibao Vanke Plaza.
(3) Includes 49.9% value of the prime office portfolio in Sydney and Melbourne.
(4) Includes two floors of The Cabot occupied by Link as at 31 March 2023.
(5) Excludes two floors of The Quayside & two floors of The Cabot occupied by Link, classified as property, plant and equipment, the 50% value of Qibao Vanke Plaza and the 49.9% value of the prime office portfolio in Sydney and Melbourne.

# Capital Management

(Face Value as at 31 March 2023)

During the year, the global economy was characterised by ongoing inflationary and interest rate pressures, geopolitical tensions, uncertainties in the banking sector and a rising risk of recession. Since March 2022, US Federal Reserve has increased the Federal Funds Target Rate 10 times from 0.25% to 5.25%. Ongoing geopolitical tensions, the reshaping of global supply chains, underinvestment in production and global wage inflation continue to impact the economic outlook. Global central banks and policymakers are likely to remain cautious in their approach to monetary policy as they seek to balance the need for economic growth and financial stability with key priorities on fighting inflation. Although indications are that the interest rate hike cycle is close to an end, interest rates are expected to stay at an elevated level in the near future.

## Rights Issue to Strengthen Capital Base

Against the backdrop of a higher interest rate environment and uncertainties in the financial markets, we completed our HK$18.8 billion one-for-five Rights Issue at a subscription price of HK$44.20, strengthening our capital base and positioning us to capture accretive investment opportunities. The Rights Issue was well supported by Unitholders, with a total subscription rate of over 240%.

As at 31 March 2023, approximately HK$5.2 billion of the Rights Issue net proceeds were used for debt repayment. Subsequent to 31 March 2023, another HK$4.0 billion and HK$0.3 billion were utilised in April and May 2023 for debt repayment and the completion payment for the acquisition of two logistics assets in Changshu South and Changshu North, Jiangsu Province, respectively.

## Financing Transactions to Support Portfolio Growth

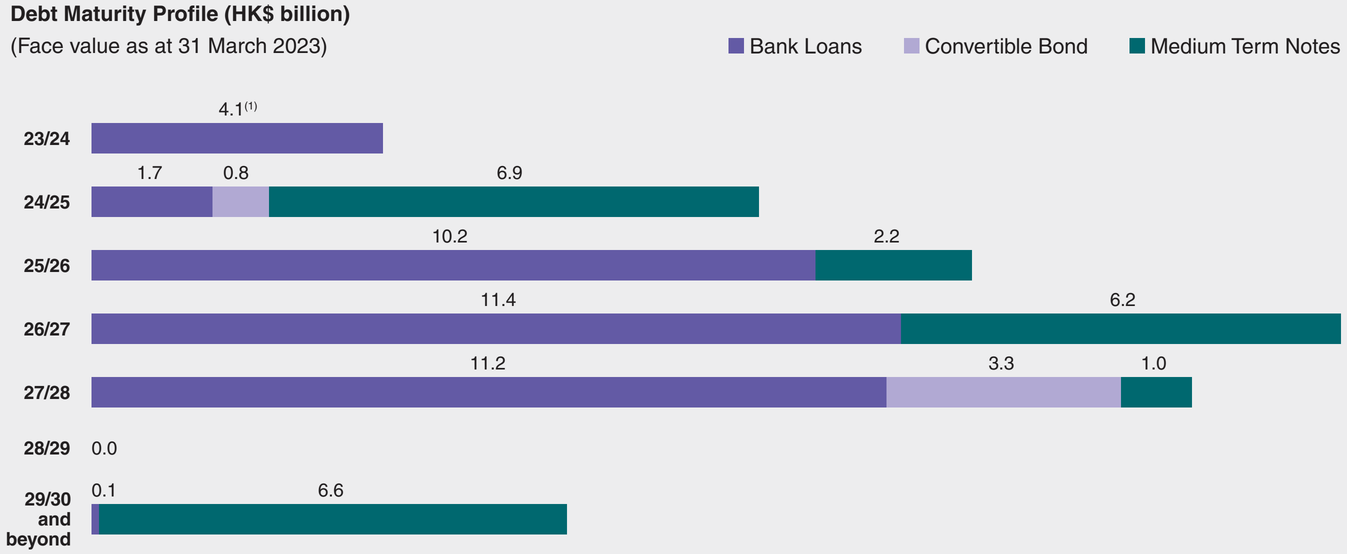
During the year, we arranged a total of HK$25.6 billion new financing in different currencies from different sources to replenish liquidity and support our strategic acquisitions in Australia, Mainland China and Singapore.

## Financing arranged since April 2022

| | |
|---|---|
| Apr 2022 | • A$462 million bridge loan facilities<br>• A$450 million 5-year AUD loan facilities |
| May 2022 | • A$150 million 5-year AUD loan facilities |
| Jul 2022 | • CNY200 million 5-year CNY loan facilities |
| Oct 2022 | • CNY150 million 5-year CNY loan facilities<br>• HKD970 million 3-year HKD loan facilities |
| Nov 2022 | • CNH300 million 3-year notes at 3.55% per annum<br>• CNH370 million 2-year notes at 3.50% per annum<br>• A$200 million 5-year AUD loan facilities |
| Dec 2022 | • HKD3,300 million 5-year convertible bonds at 4.50% per annum<br>• CNY163 million 10-year CNY loan facilities |
| Mar 2023 | • SGD1,120 million 4-year SGD loan facilities<br>• SGD1,135 million 5-year SGD loan facilities |

**Debt Maturity Profile (HK$ billion)**

(Face value as at 31 March 2023)




Note:

(1) HK$4.0B bank loans maturing in 2023/2024 have been repaid in April 2023.

## Strong Capital Base and Liquidity Position

- Total debt rose by HK$15.5 billion to HK$65.7 billion as at 31 March 2023.
- Gearing ratio mildly increased from 22.0% to 24.2% as at 31 March 2023.
- Net gearing ratio decreased from 20.7% to 17.8% as at 31 March 2023.
- HK$10.0 billion undrawn committed facilities and HK$17.3 billion cash and bank balances as at 31 March 2023.
- Average borrowing cost for the year ended 31 March 2023 was 3.0%.
- Debt maturity averaged at 3.7 years and well staggered over the coming 15 years.
- 56.8% of our debt portfolio was maintained at fixed interest rate as at 31 March 2023.

## Prudently Managed Foreign Currency Exposure

- Overseas acquisitions and investments (i.e. Australia, Singapore and the United Kingdom portfolios) are principally funded by local currency denominated borrowings providing natural hedges, or hedged by foreign currency forward contracts, where feasible and cost-effective.
- Distributable income from non-Hong Kong properties is largely hedged into HKD terms through foreign currency forward contracts entered on an annual basis where feasible and cost-effective.

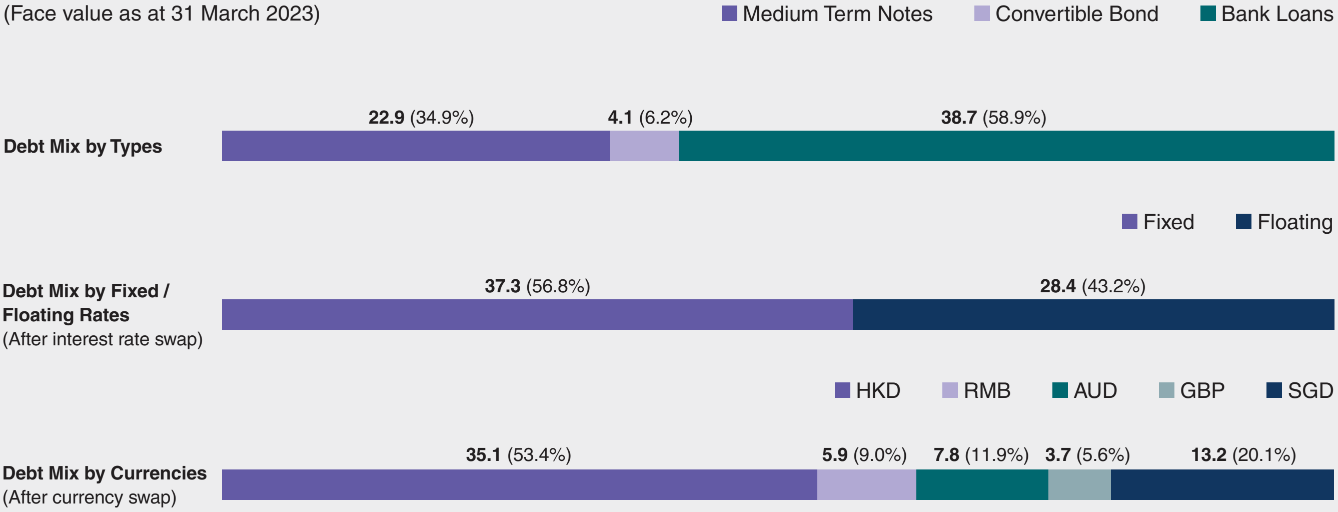
## Optimise Value for Unitholders

- **Distribution reinvestment scheme:** Provides eligible Unitholders the option to reinvest in Link units for scrip distributions. In respect of the interim distribution of the six months ended 30 September 2022, HK$1,052 million of the cash distribution was reinvested with approximately 20.7 million new units issued at a unit price of HK$50.804.
- **Unit buyback:** A total of 6.7 million units were bought back during the year under review at an average price of HK$60.70, below NAV of HK$73.98, utilising HK$408.1 million (including the transaction costs). Link will consider further unit buyback subject to market conditions and regulatory requirements.
- **Relevant Investments:** As at 31 March 2023, an investment-grade bond portfolio with a market value of HK$1.2 billion was held. During the year, a total of HK$881 million bonds matured and were redeemed.

## Credit Ratings Supported by Resilient Performance

- Link's credit ratings remain unchanged from the prior reporting period at A2/Stable (Moody's), A/Stable (S&P) and A/Stable (Fitch).
- Rating agencies have acknowledged Link's resilient financial fundamentals, diversification strategy and well-managed capital structure, and recognise the lower gearing and increased financial buffers for our credit ratings following the Rights Issue.

**Debt Profile Breakdown (HK$ billion)**
(Face value as at 31 March 2023)



# Definitions and Glossary

| | |
|---|---|
| **2017 LTI Scheme** or **Long-term Incentive Scheme** | the long-term incentive scheme of Link adopted by the Board on 10 July 2017 (the rules of which were amended on 1 June 2020 and 1 June 2022) |
| **2022 AGM** | the annual general meeting of Unitholders held on 20 July 2022 |
| **2023 AGM** | the annual general meeting of Unitholders scheduled to be held on 19 July 2023 |
| **Articles** | articles of association of the Manager |
| **AUM** | asset under management |
| **average monthly unit rent** | the average base rent per month psf of leased area |
| **Award(s)** | Restricted Unit Award(s), or Conditional Cash Award(s), or a combination of both granted under the 2017 LTI Scheme |
| **base rent** | in respect of a lease, the standard rent payable under the lease, exclusive of any additional turnover rent (if applicable) and other charges and reimbursements |
| **Board** or **Board of Directors** | board of directors of the Manager |
| **Board Committees** | the committees of the Board to discharge the duties set out in their respective terms of reference as approved by the Board which, as at the date of this report, include the Audit and Risk Management Committee, the Finance and Investment Committee, the Nomination Committee and the Remuneration Committee, and "**Board Committee**" refers to any one of them |
| **CCDO** | Chief Corporate Development Officer of the Manager |
| **CEO** | Chief Executive Officer of the Manager |
| **CFO** | Chief Financial Officer of the Manager |
| **Chair** | Chair of the Board (unless the context requires otherwise) |
| **CLO** | Chief Legal Officer of the Manager |
| **Company Secretary** | Company Secretary of the Manager |
| **Compliance Manual** | the compliance manual of the Manager which sets out (among others) the key processes, systems and measures in respect of Link's operations and the corporate governance policy of Link |
| **Conditional Cash Award(s)** | conditional right to receive cash payment(s) granted to a participant in accordance with the rules of the 2017 LTI Scheme and the relevant grant letter(s) |
| **COO Ex. Mainland China** | Chief Operating Officer Ex. Mainland China of the Manager |
| **COVID** | Coronavirus Disease |
| **Director(s)** | director(s) of the Manager |
| **DPU** | distribution per Unit in respect of the total distributable amount of Link for a financial year/period |
| **ED(s)** | Executive Director(s) of the Manager (unless the context requires otherwise) |
| **ESG** | environmental, social and governance |
| **EUPP** | employee unit purchase plan, pursuant to which an eligible employee who meets the prescribed criteria is entitled to subsidy from the Manager for purchasing, through an independent third-party intermediary, Units in the open market in accordance with the rules of the plan |
| **FMIT** | Facilities Management Information Technology |
| **GAV** | gross asset value (and as calculated in the manner set out in the Trust Deed) |
| **GAV Cap** | 25% of Link's GAV as a cap to property development activities of Link under the REIT Code |
| **GBA** | Greater Bay Area |

| | |
|---|---|
| **Government** | the Government of the Hong Kong Special Administrative Region |
| **Group** | Link and its subsidiaries (unless the context requires otherwise) |
| **Hong Kong Stock Exchange** or **Stock Exchange** or **HKEX** | The Stock Exchange of Hong Kong Limited |
| **INED(s)** | Independent Non-Executive Director(s) of the Manager (unless the context requires otherwise) |
| **IoT** | Internet of Things |
| **KPI(s)** | key performance indicator(s) |
| **lease** | a lease or a tenancy agreement (both of which grant a possessionary interest) or a licence (which merely constitutes an authority to do something) in respect of premises at the properties granted to a tenant |
| **like-for-like** | excluding any properties acquired, divested and/or newly operational (as applicable) during the periods under analysis |
| **Link** or **Link REIT** | Link Real Estate Investment Trust |
| **Link Corporate Governance Policy** | the corporate governance policy set out in the Compliance Manual |
| **"廣州天河領展廣場" (Link Plaza Tianhe)** | a commercial property located in Guangzhou, Mainland China, formerly known as "太陽新天地購物中心" (Happy Valley Shopping Mall) |
| **Link Securities Dealing Code** | the code governing dealings in securities of Link by Directors and senior management of the Manager |
| **Listing Rules** | Rules Governing the Listing of Securities on the Stock Exchange |
| **Listing Rules Corporate Governance Code** | Corporate Governance Code contained in Appendix 14 to the Listing Rules |
| **Low regret** | To analyse and plan/adapt for the highest plausible worst-case scenario so that one will have fewer regrets in the future |
| **Manager** | Link Asset Management Limited, which is the manager of Link |
| **market capitalisation** | the market value of the REIT calculated by multiplying the number of units in issue by the prevailing unit price quoted on the Stock Exchange |
| **Maximum Cap** | 25% of Link's GAV as a cap to the total sum of: (i) all Relevant Investments; (ii) Non-qualified Minority-owned Properties; (iii) other ancillary investments; and (iv) all of the property development costs together with the aggregate contract value of the uncompleted units of real estate |
| **MTN** | note(s) and/or green bond issued or to be issued from time-to-time pursuant to the Guaranteed Euro Medium Term Note Programme established by The Link Finance (Cayman) 2009 Limited (a wholly-owned subsidiary of Link) in May 2009 |
| **NED** | Non-Executive Director of the Manager (unless the context requires otherwise) |
| **NGO(s)** | non-governmental organisation(s) |
| **Non-qualified Minority-owned Properties** | all Minority-owned Properties other than Qualified Minority-owned Properties under 7.7C of the REIT Code |
| **NPI** | net property income, being total revenue less direct property related expenses |
| **occupancy rate** | the aggregated leased area as a percentage of total leasable area |
| **Principal Valuer** | the Principal Valuer (as defined in the REIT Code) of Link, which is currently Cushman & Wakefield Limited with effect from 17 November 2022 (Colliers International (Hong Kong) Limited retired on 16 November 2022) |

| | |
|---|---|
| **Property Development Cap** | 25% of Link's GAV as a cap to property development and related activities of Link under the REIT Code |
| **psf** | per square foot |
| **Qualified Minority-owned Property** | qualified minority-owned property under 7.7C of the REIT Code |
| **REIT(s)** | real estate investment trust(s) |
| **REIT Code** | Code on Real Estate Investment Trusts issued by the SFC |
| **Relevant Investments** | the financial instruments permissible from time-to-time under the REIT Code for Link to invest in, including (without limitation): (i) securities listed on the Stock Exchange or other internationally recognised stock exchanges; (ii) unlisted debt securities; (iii) government and other public securities; and (iv) local or overseas property funds |
| **Restricted Unit Award(s)** | conditional right to receive Units granted to a participant in accordance with the rules of the 2017 LTI Scheme and the relevant grant letter |
| **Rights Issue** | the issue by way of rights of one (1) rights unit for every five (5) existing Units in issue on the record date (being 6 March 2023) at the subscription price of HK$44.20 per rights unit |
| **ROI** or **return on investment** | projected NPI post asset enhancement minus NPI pre asset enhancement divided by the estimated amount of project capital expenditure and loss of rental |
| **reversion rate** | the percentage change in psf average unit rent between old and new leases on the same unit |
| **SFC** | Securities and Futures Commission of Hong Kong |
| **SFO** | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| **SPV(s)** | special purpose vehicle(s) (within the meaning of the REIT Code and the Trust Deed) |
| **sq ft** | square feet |
| **TCFD** | Task Force on Climate-related Financial Disclosures |
| **tenant** | a lessee, a tenant or a licencee (as the case may be) under a lease |
| **total distributable amount** | total distributable amount for a financial year/period is the total distributable income and any additional amount (including capital) that the Manager has determined to be distributable |
| **total distributable income** | the consolidated profit after taxation attributable to Unitholders (equivalent to profit for the financial year/period, before transactions with Unitholders attributable to Unitholders) adjusted to eliminate the effect of certain non-cash adjustments |
| **Trust Deed** | the trust deed dated 6 September 2005 between the Trustee and the Manager constituting Link, as amended and supplemented by 14 supplemental deeds and two amending and restating deeds |
| **Trustee** | trustee of Link, which is currently HSBC Institutional Trust Services (Asia) Limited |
| **turnover rent** | rent calculated and charged by reference to a pre-determined percentage of a tenant's gross sales turnover in excess of the base rent |
| **Unit(s)** | unit(s) of Link |
| **Unitholder(s)** | holder(s) of Unit(s) of Link |
| **WALE** | weighted average lease expiry |
| **YoY** | year-on-year |
| **YRD** | Yangtze River Delta |

# Corporate Information

## Board of Directors of the Manager

### Chair

Nicholas Charles ALLEN
*(also an Independent Non-Executive Director)*

### Executive Directors

George Kwok Lung HONGCHOY
*(Chief Executive Officer)*

NG Kok Siong
*(Chief Financial Officer)*

### Non-Executive Director

Ian Keith GRIFFITHS

### Independent Non-Executive Directors

Christopher John BROOKE
Ed CHAN Yiu Cheong
Jenny GU Jialin
Lincoln LEONG Kwok Kuen
Blair Chilton PICKERELL
Poh Lee TAN
Peter TSE Pak Wing
Nancy TSE Sau Ling
Melissa WU Mao Chin

## Company Secretary of the Manager

Kenneth Tai Lun WONG[(1)]

## Responsible Officers of the Manager[(2)]

George Kwok Lung HONGCHOY
NG Kok Siong
Ronald THAM Seng Yum[(3)]
Christine CHAN Suk Han
Kenny LAM Ting Pong[(4)]

## Authorised Representatives[(5)]

George Kwok Lung HONGCHOY
Kenneth Tai Lun WONG

## Trustee

HSBC Institutional Trust Services (Asia) Limited

## Auditor

PricewaterhouseCoopers

## Principal Valuer

Cushman & Wakefield Limited[(6)]
Colliers International (Hong Kong) Limited[(7)]

## Registered Office of the Manager

20/F., Tower 1, The Quayside,
77 Hoi Bun Road, Kwun Tong,
Kowloon, Hong Kong

## Town Office of the Manager

Suite 901, 9th Floor, The Hong Kong Club Building,
3A Chater Road, Central, Hong Kong

## Shanghai Office of the Manager

Unit 918-921, Building No. 1, Link Square,
No. 222 Hubin Road, Huangpu District,
Shanghai, Mainland China

## Singapore Office of the Manager

No 1 Marina Boulevard,
#15-01/04 One Marina Boulevard,
Singapore 018989

## Sydney Office of the Manager

Suite 28.02, Level 28, Australia Square Tower,
264 George Street, Sydney, NSW 2000, Australia

## Unit Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F., Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555

## Contact Details

| | | |
|---|---|---|
| Telephone: | **Hong Kong** | (852) 2175 1800 |
| | **Mainland China** | (86) 21 5368 9333 |
| | **Singapore** | (65) 6950 8000 |
| Facsimile: | (852) 2175 1938 | |
| Media Enquiry: | mediarelations@linkreit.com | |
| Investor Relations: | ir@linkreit.com | |
| Customer Service: | (852) 2122 9000 | |
| Leasing: | **Hong Kong** | hkretailenquiries@linkreit.com |
| | **Mainland China** | mlcleasing@linkreit.com |
| | **Singapore** | sgleasing@linkreit.com |

## Websites

| | |
|---|---|
| Linkreit.com | (corporate website) |
| Linkhk.com | (customer website) |

## Mobile App

DOWNLOAD NOW

Link Up

Notes:
(1) email: cosec@linkreit.com
(2) Required by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
(3) Appointed on 22 May 2023
(4) Appointed on 15 May 2023
(5) Required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
(6) Appointed on 17 November 2022
(7) Retired on 16 November 2022

Link Real Estate Investment Trust

**Linkreit.com**

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