

## Strategic Report

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



# WE LINK PEOPLE TO A BRIGHTER FUTURE

Link Real Estate Investment Trust is Asia's largest REIT and one of the world's largest REITs (with focus on retail) in terms of market capitalisation. With a diversified portfolio, we aim to deliver sustainable growth and create long-term value for our Unitholders and all our stakeholders.

In this report, we will discuss our gradual development along the path we outlined in previous years. We have a clear direction to inspire our staff to work together and achieve our vision of being a world class real estate investor and manager, serving and improving the lives of those around us.

## Vision

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

## Mission

Building relationships with our stakeholders through:

- providing value and quality service
- partnering with local communities
- delivering sustainable growth

## Value

Managing and operating our business with

- **R**espect
- **E**xcellence
- **I**ntegrity
- **T**eamwork

### About this Report

Our 2019/2020 Strategic Report covers our performance from 1 April 2019 to 31 March 2020 and has been prepared according to the International Integrated Reporting Council's International <IR> Framework. We highlight the interactions among financial, environmental, social and governance factors, and underline their influence on our long-term sustainable development. The information reported here is consistent with indicators used for our internal management and Board reports and are comparable with our previous Integrated Reports.

### Materiality

This report has been structured according to Link's Vision 2025 and Value Creation Model. The Board believes that Vision 2025 represents the material opportunities that will drive value creation for our stakeholders. These material opportunities have been developed taking into account our industry trends, the environment in which Link operates, feedback from our key stakeholders and the inherent risks of our business.

### Sustainability Website

Up until 2013/2014, Link prepared separate annual sustainability reports which are on our corporate sustainability website. Since 2014/2015, we have updated our corporate sustainability performance solely on our website: [Linkreit.com/en/sustainability/](http://Linkreit.com/en/sustainability/)



Access our corporate website for further information

### Complete 2019/2020 Reports and Presentations

Our complete suite of reports and supporting compliance documentation can be accessed and downloaded from our corporate website at: [Linkreit.com](http://Linkreit.com)

#### STRATEGIC REPORT

Our Strategic Report, compiled according to the International Integrated Reporting Council's International <IR> Framework, presents a comprehensive, but concise, overview of how we create value for different stakeholders and the progress we are making towards our Vision 2025.

#### GOVERNANCE, DISCLOSURES AND FINANCIAL STATEMENTS

This report provides our detailed governance, disclosures and financial statements. Governance and disclosures sections are prepared in accordance with the REIT Code, applicable provisions of the Listing Rules, and other relevant laws and regulations while the consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards, the requirements of the Trust Deed and the relevant disclosure requirements of the REIT Code and the Listing Rules, and audited by PricewaterhouseCoopers.

#### VALUATION REPORT

This report summarises the valuation of Link's individual properties as conducted by Colliers International (Hong Kong) Limited.

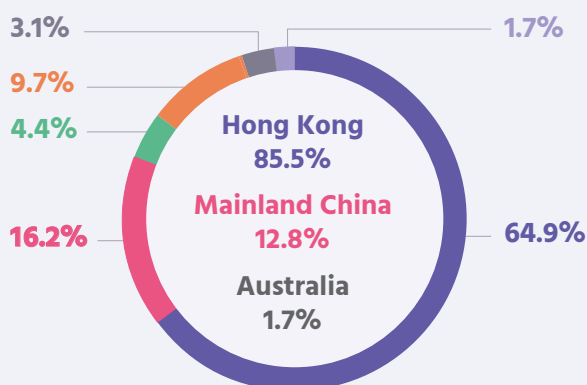
#### ESG COMPLIANCE DOCUMENTATION

- Environmental, Social and Governance Reporting Guide (ESG Reporting Guide) of Hong Kong Stock Exchange
- Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) — Comprehensive Options
- United Nations Global Compact



## About Link

Current  
Portfolio  
Value  
**HK\$196  
billion<sup>(1)</sup>**



■ Hong Kong retail    ■ Hong Kong car park    ■ Hong Kong office  
■ Mainland China retail    ■ Mainland China office    ■ Australia office

**Retail — 74.6%**  
**Car Park — 16.2%**

125 properties in Hong Kong  
4 properties in Mainland China

**Office — 9.2%**

1 property in Hong Kong  
1 property in Mainland China  
1 property in Australia

## Results Highlights

Revenue  
**HK\$10,718M**  
**+6.8% yoy**

Net Property Income  
**HK\$8,220M**  
**+6.9% yoy**

Distribution per Unit  
**HK287.19 cents**  
**+5.9% yoy**

Net Asset Value per Unit  
**HK\$77.61**  
**-13.3% yoy**

Retail Occupancy  
in Hong Kong  
**96.5%**

Retail Occupancy  
in Mainland China  
**97.8%**

Enhancement Projects  
Completed to Date  
**85**

Energy Savings<sup>(2)</sup>  
**29.6%**

Notes:

(1) As at 31 March 2020 and including the acquisition of Sydney office which was completed on 7 April 2020 on a pro-forma basis.

(2) On a like-for-like basis compared to 2010 baseline.

# VALUE CREATION

We are driven by an unwavering commitment to create value for a diverse range of stakeholders.

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# BUSINESS AS MUTUAL

We believe collaboration nurtures the interdependencies among our many stakeholders, which will ultimately improve the overall resilience and long-term sustainability of the Link ecosystem.

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# HEADWINDS AND TRENDS

Global, regional and local risks will always present challenges to our ecosystem. Identifying key trends and challenges early helps us respond better and execute our business strategy effectively.

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# SUSTAINABLE BUSINESS STRATEGY

Our business strategy is anchored by three pillars:  
Portfolio Growth, Culture of Excellence and Visionary Creativity.

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# FOUNDATION FOR A SUSTAINABLE BUSINESS

Underpinning our business is a modern and inclusive risk management approach coupled with corporate governance that is at the forefront of global best practice.

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# Value Creation Model

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

## Our Portfolio



Retail



Car park



Office

## Key Strengths

### Asset Management

- Management
- Enhancement

### Portfolio Management

- Acquisition
- Divestment
- Development

### Capital Management

## Vision 2025



Portfolio Growth



Culture of Excellence



Visionary Creativity



# Stakeholder Engagement

Echoing our brand promise, we are devoted to engage and build networks among our stakeholders. This demonstrates how we create vibrant communities while meeting the expectations of different stakeholders.

**We link our employees to a brighter future by fuelling aspiration and impact**



**WE LINK  
PEOPLE**

**We link our tenants to a brighter future by powering business growth**





**We link our business partners  
to a brighter future by providing  
unparalleled scale and reach**

**OUR BUSINESS  
PARTNERS**

**We link our investors  
to a brighter future by  
driving sustainable return**

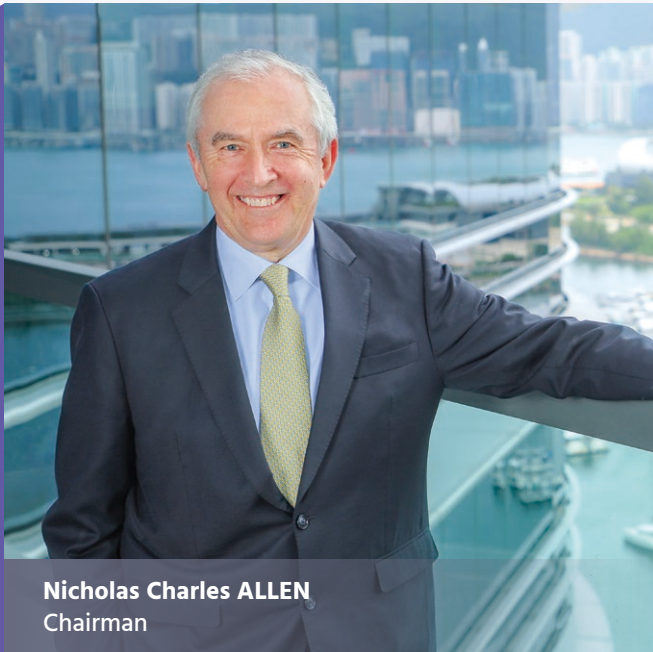
**OUR  
INVESTORS**

**TO A BRIGHTER  
FUTURE**

**OUR  
COMMUNITIES**

**We link our communities  
to a brighter future by  
improving the lives of  
people around us**

# Chairman's Statement



**Nicholas Charles ALLEN**  
Chairman

**“To emerge from the crisis in a better, more resilient position, businesses will have to re-examine their strategies and relationships and transition towards a ‘Business as Mutual’ mentality encompassing business purpose and strategy, management systems and stakeholder interests.”**

The complexity and interconnectivity between industry, business and society was on full display in 2019/2020. Social incidents in Hong Kong brought the city to a near standstill and overshadowed most of 2019. Adding to the tension was the escalating US-China trade war and the uncertainty around Britain's Brexit plan. As dramatic as these individual events were, they paled in comparison to the COVID-19 pandemic. We witnessed global economies being paralysed and successively shutdown in wake of the unprecedented and rapid spread of the pandemic and the ensuing chaos. Few businesses, if any, will emerge from this year unscathed.

The ramifications of the economic and social distress triggered by this global health crisis are yet to be measured. In the real estate sector, we are already seeing changes in behaviours, values and risk appetite. We expect some changes will likely be fleeting, while others will warrant a reshaping of our business strategy. We are assessing the implications of the disruptions that are changing the way society functions. Will shoppers demand higher standards of health and safety? How do we meet such demands? Will more businesses readily adopt work from home arrangements for their staff? How will this impact the spaces they rent? Of specific interest to our business is

the surge towards online ordering and shopping. Will online shopping become the norm in a compact, connected and convenient city? As a property owner, it is imperative we remain ahead of the curve on how we think, react and perform to these still unfolding changes.

To this end, we are transforming from within. We understand that truly sustainable businesses are the ones that can navigate through such uncertainties, focus on what is material and of significant consequence and adjust their business models appropriately. While we continue to be agile and responsive, such a fluid environment demands a more dynamic approach to understanding not just ourselves, but also the larger ecosystem that includes our stakeholders.

The perception of being a dynamic ecosystem is not new to Link. It has served us well in our promise to **Link People to a Brighter Future**. It is in seeing this larger dynamic of interaction and the benefits it brings, that we work tirelessly with our business partners to ensure we are aligned and connected, sharing a common desire to achieve excellence in everything we do. In good times, excellence means we help tenants build their businesses and realise their dreams. In challenging times, we must coalesce and find different

ways to utilise resources for mutual support and shared value. 2019/2020 tested our collective strength in this resolve.

We believe that in times of crisis, valuable public resources should be directed to those Hong Kong businesses with the most pressing needs. Consequently we decided not to make use of the HKSAR Government's Employer Subsidy Scheme, instead choosing to support employees with our own resources.

Early in the year, we formalised a comprehensive business continuity plan to minimise interruption across our portfolio. This plan includes protocols on information sharing and contingencies for safety and operational integrity.

When the prospect of prolonged social distancing became apparent early in 2020, our attention and focus quickly pivoted to identifying tenants most at risk. Upon recommendation by the Link management team, the Board authorised the commitment of HK\$300 million of tailor-made solutions to support our many tenants in Hong Kong who have chosen to keep their doors open at our properties. We have also offered relief measures to support tenants in our Mainland China portfolio.

These targeted response programmes, as important as they are, have triggered the high-level review to what will be the "new normal" in how we operate. With our operating markets shaken to the core, we realise that our already high standards of duty and care in business decisions are falling short of expectations. "Business as Usual" will not suffice. To be this new normal is to be "Business as Mutual". This thinking drives us to connect deeper with our stakeholders, seeking to create shared value and a business strategy that is long-term and self-reinforcing. It is teaching us to embrace a continually changing environment and behaviours, and strive to better serve our investors, business partners and the communities that live around and rely on our properties.

To this end we are also transforming our risk management culture by broadening our scope of risks and understanding of how our risk decisions impact us, as well as the larger ecosystem including a broader universe of our stakeholders. We have adopted a scenario-based approach to anticipating and managing risks and opportunities, while deepening stakeholder engagement to understand their risks and the implications to Link's sustainable development. We are evolving our corporate culture to further understand our ecosystem and to practise Business as Mutual at work.

## Challenging Performance Metrics

2019/2020 has proven that regardless of the external challenges we may face, our communities count on our properties to fulfil their everyday needs. It is incumbent on us to ensure our properties are welcoming, safe and healthy places. Doing so has afforded Link to achieve a reasonable set of financial metrics for 2019/2020.

During the year, we have continued our strategy of portfolio diversification and are excited to add 100 Market Street to our portfolio. Located in Sydney, Australia, this marks our first acquisition outside of Greater China, employing the same robust and prudent investment approach as before. The property is in a premium location with excellent accessibility and amenities. We are confident of its long-term performance in this thriving global gateway city.

I am pleased to report that while events continue to challenge the markets and industry, our portfolio remains productive. We have relied on the strengths of our partnerships, in particular with our tenants and service providers, to keep our properties open, safe and healthy over this past year. To them, I wish to extend our sincere gratitude and commit our continued and unwavering support.

As well, my personal thanks goes to each and every one of our hard-working staff. Without their commitment to working each day to deliver the care and services we promise, we would not be where we are today. And, finally, on behalf of all of us at Link, I wish to extend our gratitude to Andy Cheung, who retired at the end of 2019. His contribution first as Chief Financial Officer and then as Chief Operating Officer has been invaluable to the growth of our business over the last decade.

As we stand at the beginning of a new decade, we face changing societies, economies and industries. We have learned that change challenges our assumptions, practices and performance. While we have built and relied on a solid portfolio of assets and proven business model, to maintain the course of sustainability, more decisive actions tempered by well-informed and competent decision-making are imperative to our future. We have set the wheels in motion, in particular with regards to our dynamic ecosystem and engagement with our stakeholders. The continuous response and actions will mark our leadership as a partner and role model for sustainable business transformation in the coming years.

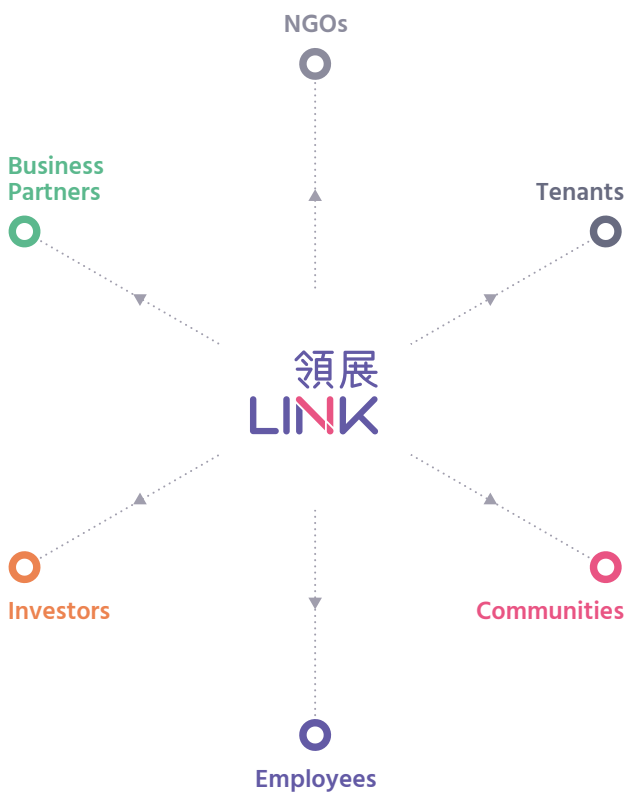
## Nicholas Charles ALLEN

Chairman

Link Asset Management Limited  
As Manager of Link Real Estate Investment Trust  
1 June 2020

# BUSINESS AS MUTUAL

Business as Mutual drives us to connect deeper with our stakeholders, seeking to create shared value and a business strategy that is long-term and self-reinforcing.



## Business as Usual

The Business as Usual model, with an organisation at the centre and stakeholders surrounding it, is proving to be outdated and unsustainable. Increasing complexity and interdependencies between industry, business and society have created demand for realisation of shared value and sustainable operating principles. This requires businesses to evolve.

## Business as Mutual in Action: Link's pandemic response

COVID-19 exasperated the year's already challenging retail environment, creating acute enterprise risk that severely impacted business continuity. Our immediate response focused on ensuring the health and safety of our staff and the community.

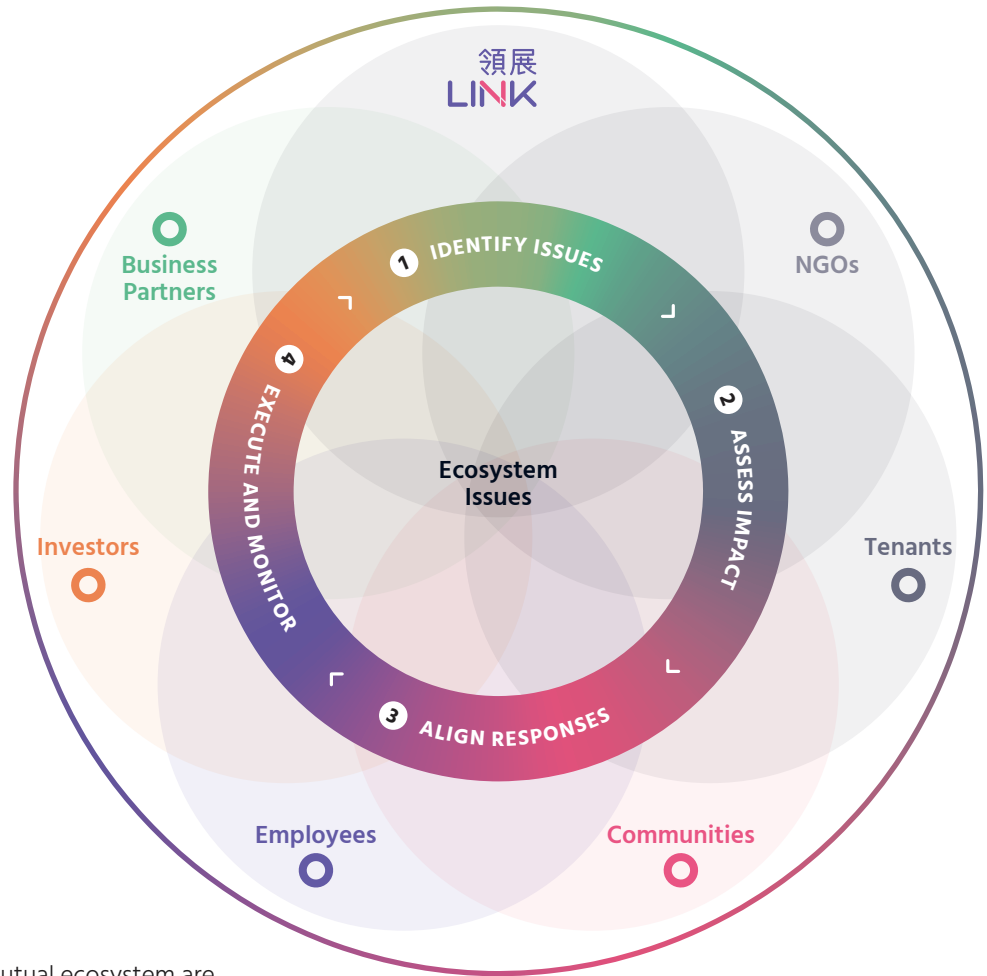
Through collective engagement and alignment with global suppliers, we were able to procure and coordinate the distribution of personal protective equipment and sanitisers to the community, our business partners and our staff.

Early in the year we formalised a comprehensive business continuity plan with our tenants and contractors to minimise interruption across our portfolio. This plan includes protocols on information sharing, contingencies for safety and operational integrity and tailor-made financial relief packages for our tenants.

We also assured local community leaders and other relevant stakeholders by keeping them informed of our plans and actions.

Going forward, the lessons learned and the agility and innovation we have used to manage the crisis will place the ecosystem in a better and more resilient position.

# Link's Ecosystem



## Business as Mutual

At the heart of the Business as Mutual ecosystem are common issues drawn from the specific interests and concerns of different stakeholders, including Link. With this strategic delineation of issues and interests, a collaborative risk management process addresses and improves the ecosystem, making it more resilient for all. A key aspect of this model is that the stakeholders in the ecosystem are not fixed, but rather moving as the material issues change. This creates dynamic interactions that require a process of continued internal assessment and feedback to ensure appropriate action and allocation of resources.

## HK\$300M

Tailor-made solutions budgeted to support tenants in Hong Kong

## 68,000

Bottles of free hand sanitiser redeemed by shoppers for purchases made at tenants in Hong Kong

## 75,000

Surgical masks provide to housekeeping and contractors, car park operators and our staff

Note: All numbers above are as of 30 April 2020.

# Chief Executive Officer's Report



**George Kwok Lung HONGCHOY**  
Chief Executive Officer

**“Our resilience underpins our ability to be responsive to both foreseeable and unanticipated challenges. As we operate in such a dynamic ecosystem, maintaining this resilience is strategic to our business planning and execution to achieve our corporate purpose and long-term portfolio performance. Resilience relies on us consistently leading and collaborating with our stakeholders in working towards our common goals and shared value.”**

## A Year of Challenges to Hong Kong and Link

Link's vigilance has served us well, especially now with the anticipated slowing of regional economic activity. Careful attention to cost control and expenditure, enhanced engagement with stakeholders and strategic rebalancing of our portfolio contributed to our robust performance in 2019/2020. However, weathering a potential global recession — of which the full extent and consequences are yet to be seen — will test our management capabilities, sustainability of our physical assets and ability to innovate in delivering essential services to the community.

We are closely integrated with the socio-economic and political dynamics of the region. We are aware that our industry, the geopolitical landscape and society at large are changing significantly. The management team is closely monitoring events in real time, assessing the risks to our portfolio and planning for the business in the short, medium and long-term. Macro environment and external events are often interconnected, so we have to remain vigilant at all times and consider potential impacts. Our task is to filter and identify what is material to the business and our stakeholders and act accordingly.

Link assumes a leading role in supporting the vibrant and thriving communities around us. Our properties are the anchor points for many and we have always been sensitive and alert to their sentiments. The November 2019 district council elections in Hong Kong brought in a wave of young, passionate community leaders, many of whom are new to the intricacies of local government and social issues. Link was amongst the first to reach out, share information, solicit feedback and work with these leaders to improve the districts and livelihoods of their constituents. We strive to be a key partner to all individuals and organisations focused on the betterment of our community.

Although tenants in our portfolio have shown more resilience compared to overall Hong Kong, their businesses have nonetheless been affected by recent events.

Our approach to aiding our tenants has been continuous communication as different crises touched the communities and affected their businesses. Although this approach has been more labour intensive and time consuming, it has helped us develop closer relationships with our tenants and deliver on our promise to support them on a targeted basis. Our perseverance and hard work paid off, as occupancy in Hong Kong has remained steady and we even managed to source over 120 new lettings in Hong Kong portfolio since January 2020 despite such a challenging retail environment.



Echoing the HKSAR Government's Anti-epidemic Support Scheme, Link has decided to top-up the subsidies for our Hong Kong property management workers including cleaning and security, as well as expanding to include fitters.

The impact of the social and public health crises on our team did not escape our attention. To prevent staff fatigue and lower work stress, we responded quickly with a series of mindfulness and mental health programmes and flexible work arrangements to help them cope with and manage stress. We also put in place staff contingency plans to minimise business interruptions both at the frontline and in head office.

## Performance Review and Highlights

Since the launch of Vision 2025 last year, we are seeing the three pillars of portfolio growth, culture of excellence and visionary creativity taking root across the organisation.

In 2019/2020, despite the accelerating uncertainties, we continue to see improvement in revenue and net property income, growing at 6.8% and 6.9% year-on-year respectively. Although there is a valuation loss during the year, our investment properties are held as long-term investments for stable and recurring income, and as the valuation loss is non-cash in nature, distribution per unit was not affected and it increased by 5.9% year-on-year to HK\$287.19 cents.

We have strengthened further in capital management to ensure our balance sheet is robust and well-prepared for any upcoming challenges and opportunities. As at 31 March 2020, our debt portfolio consisted of HK\$15.6 billion notes issued under the MTN programme, HK\$4.0 billion convertible bonds and HK\$15.0 billion bank loans, including an A\$212 million sustainability-linked loan that furthers our goal as a responsible business with performance-based interest rate reductions. Our strong liquidity position not only prepares us for market volatility, it can be used to fund any strategic acquisition.

We are progressively reshaping our portfolio, prudently diversifying into new geographies and asset types. In April 2020, we completed our first acquisition outside of Greater China – 100 Market Street in Sydney, Australia. This is a milestone addition to our global footprint. We adopted the same robust selection criteria, due diligence and assessment standards used for acquisitions in Mainland China that have served us well, as evidenced from the solid track record of outstanding performance since the multiple purchases. While Hong Kong will remain Link's home and core market, we will incrementally add properties in Mainland China and major developed markets such as Australia, Singapore, Japan and the United Kingdom to build a more diversified and higher quality portfolio.

To support this strategic portfolio change, we are transforming our organisational structure to make us more scalable and agile. We have reconfigured into a group and regional centre setup, establishing region-specific policies and procedures, with clear delineation of growth objectives and an aligned management approach. This provides the foundation for growing our business through investments that leverage on our portfolio management strengths that have served us well over the past decade.

Transformation of the business requires building and nurturing our talent pipeline to deliver aspired outcomes. We are building a culture of excellence focusing on leadership, innovation and teamwork. We have revamped various internal committees to facilitate more effective decision-making, enhance governance and policy implementation and drive best practices at all levels of the organisation.

## Future Proofing for Sustainability

As the world reels from a public health crisis, the issue of sustainability is finally gaining the rightful attention. Our commitment to managing the long-term consequences of climate change and sustainable development has become more important than ever. Identifying and mitigating the impact of climate change on our portfolio remains a priority for Link. We have been part of a United Nations pilot to develop a TCFD reporting methodology for the real estate sector. The preliminary model was developed in September 2019 with input from the investment community and helped real estate businesses identify their long-term climate risks and prioritise mitigation strategies. We have run a preliminary assessment using the TCFD guidelines across the entire portfolio, including our new property in Sydney, and are developing mitigation strategies for those deemed at risk.

By future-proofing our portfolio using TCFD and risk scenario planning, we can communicate to investors, insurers and regulators our arsenal of mitigation strategies and our high level of response preparedness in the event of the physical and transitional impacts of climate change.

Our commitment to minimising Link's environmental impact is unwavering, and we have made good progress in the last year. We have collaborated with business partners to use our properties as anchors to establish district-level plastic bottle collection networks in Hong Kong. We are also back on schedule to complete four solar PV installations this year, each using blockchain technology to log and track the associated environmental benefits.

## Our Value Proposition

Early in the year, we completed a high-level review of our brand promise, **We Link People To a Brighter Future**, to reassess its effectiveness. From this exercise we learned that while our promise captures our core values, it needed to evolve and respond to changing aspirations and market dynamics.

We realise that design thinking and deeper and broader engagement are two critical success factors. Link is an anchor point in the larger ecosystem of the cities we are in. How we operate and what we do influence the broader economic and social activities of the communities we serve. Our financial support for those businesses which remain open during the height of the pandemic, for example, enabled the availability of essential commodities and services to local communities and continuity of business to our tenants.

## Business as Mutual

The year's sharp focus on society and our role as a platform has necessitated a re-thinking of our brand promise and how we serve our stakeholders. Within Link's ecosystem, we have defined a more inclusive stakeholder universe and expanded our matrix of material issues that affect how we should behave and operate. We are adopting design thinking and interdepartmental "scrum" teams to focus on becoming more agile and adept at solving complex interdisciplinary challenges.

With more strategic engagement to advance our corporate vision, shared value has become the focus of how we plan and conduct ourselves as an organisation. We call this Business as Mutual.

## Risk Management

An early application of Business as Mutual underscored our approach to the corporate risk management process. Internally, interdepartmental risk workshops were organised, focusing on possible scenarios as we move towards Vision 2025. With deeper engagement, better understanding of our ecosystem and thorough visioning of risk interventions, our internal teams are collaborating across boundaries to identify risk and opportunities and fostering the systems thinking approach for best practice solutions.

We are extending Business as Mutual to our business partners and other external stakeholders for deeper understanding of Link's enterprise risks. We have reached out to the broader universe of stakeholders within the ecosystem to explore and determine what risks they are concerned about for their own businesses and organisations. We are collating their responses and aligning them with Link's registry of internal risks so that we can identify material issues common to us and collectively resolve or mitigate them. These actions serve to enhance the resilience of Link's ecosystem.

## A Flourishing Community

Our core objective is to create thriving and vibrant communities where we operate. Building on our strong asset

enhancement programme and guided by Vision 2025, we are focusing on implementing the principles of placemaking at our properties. We are creating environments that people want to frequent and enjoy, not just to shop. Currently, two pilot sites are underway where we are working with local designers to create the placemaking experience. We aim to transform neighbourhoods by offering leisure spaces and staging activities to enhance local lifestyles.

Our flagship community and charity engagement programme, Link Together Initiatives, has made important contribution to the community as we faced immense uncertainties. In 2019/2020, Link committed HK\$10.3 million to the Project Fund and another HK\$3.8 million to our Link University Scholarship awarding 190 scholarships to deserving students. A total of 750 scholarships have been granted since its inception.

## Outlook

At this juncture, there is a lack of clarity of what the near future holds and what challenges we may face. This makes it difficult for business planning, requiring us to be even more vigilant and diligent in monitoring our progress to ensure we stay on track.

Lease negotiations have been slower this year and more cases of negative reversions are noted. We remain convinced that our current portfolio management strategy remains the right one, and our priority has been to maintain a steady occupancy level. We have learned many lessons this year and there will be still more to come as economies and communities emerge and recover from the crises. Based on preliminary assessment and barring any further drastic deterioration of the economy, we estimate Hong Kong retail rental to remain stable in 2020/2021 while Mainland China retail portfolio should maintain positive reversion.

We are operating in uncharted territory, one where no single entity – government, institutions, businesses or social groups – has been able to control or lessen the damage on its own. It has to be a collaborative effort, with collective planning and whole-hearted commitment that will sail us through. We must work together towards our shared sustainable development goal.

I wish to thank each and every one of Link staff for seeing us through this last year. It has taken phenomenal efforts to keep our properties safe, clean and operating so that we can continue to serve our local communities. I am grateful for the continuing support of our tenants and service providers. All of us stand firm on our commitment to continuously **Link People to a Brighter Future**.

## George Kwok Lung HONGCHOY

Chief Executive Officer

Link Asset Management Limited  
As Manager of Link Real Estate Investment Trust  
1 June 2020



## Board of Directors

effective from 1 February 2020

### Chairman

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

### Executive Directors

2. Mr George Kwok Lung HONGCHOY  
Chief Executive Officer
3. Mr NG Kok Siong  
Chief Financial Officer

### Non-Executive Director

4. Mr Ian Keith GRIFFITHS

### Independent Non-Executive Directors

5. Mr Christopher John BROOKE
6. Mr Ed CHAN Yiu Cheong
7. Mr Blair Chilton PICKERELL
8. Ms Poh Lee TAN
9. Ms May Siew Boi TAN
10. Mr Peter TSE Pak Wing
11. Ms Nancy TSE Sau Ling
12. Ms Elaine Carole YOUNG



Read biographies online at:  
<https://www.linkreit.com/en/leadership/>

# WEATHERING THE PERFECT STORM

Our resilience underpins our ability to be responsive to both foreseeable and unanticipated challenges. As we operate in such a dynamic ecosystem, maintaining this resilience is strategic to our business planning and execution to achieve Vision 2025. In face of the unprecedented market conditions, Link has reinforced our commitment to work hand-in-hand with our stakeholders to ride out this challenging period. With many support programmes in progress, we believe the ecosystem has weathered the worst of the unexpected crises. We continue to monitor and engage for change in events and expectations as economies recover and begin to open again.







Implemented effective and swift emergency responses to crises

Established tenant support schemes in Hong Kong and Mainland China

Stepped up multi-pronged community support to encourage spending

Strengthened balance sheet with ample liquidity

Ensured staff well-being



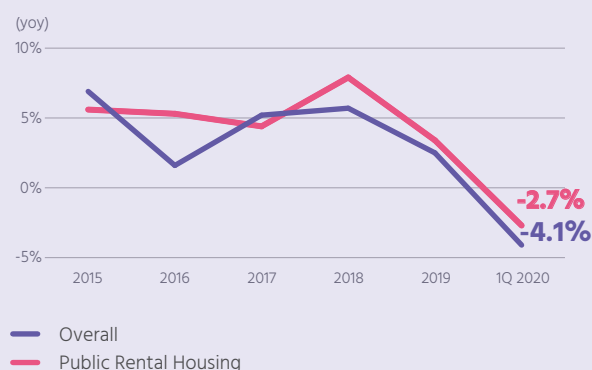
# Operating Landscape

**Hong Kong** economy contracted for the first time in a decade in 2019 as months of local social incidents and US-China trade tension exacted its toll. Stepping into 2020, COVID-19 has disrupted a wide range of economic activities and deepened the city's recession. GDP growth dropped further to -8.9% and unemployment rate surged to 4.2% for 1Q 2020.

Retail sales and tourist arrivals have fallen drastically. Nonetheless, non-discretionary sales continue to demonstrate high resilience amid the abruptly weakened economic situation. Office leasing demand took a further hit, suffering from the weak business sentiment under the pandemic.

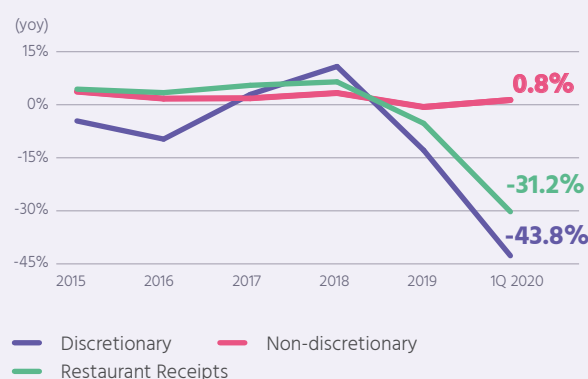


## Slowdown in Median Household Income Growth Continued



Source: Hong Kong Census and Statistics Department

## Non-Discretionary Sales Outperformed



Note: Non-discretionary retail sales include supermarkets and foodstuff, and discretionary retail sales include the remaining retail trades

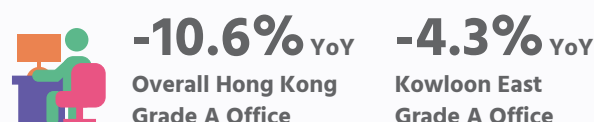
Source: Hong Kong Census and Statistics Department

## Parking Demand Reduced Amid Weakened Economy



Note: Figure as at 1Q 2020  
Source: Hong Kong Transport Department

## Office Rental Dropped Less in Second Central Business District (CBD)



Note: Figures as at 1Q 2020  
Source: Jones Lang LaSalle

## Outlook

- The government has forecasted another year of economic contraction ahead with COVID-19 hitting countries and cities worldwide. Recovery will span across a longer period of time along with government support measures. The GDP growth is estimated to range from -4% to -7% in 2020.
- The labour market is under great pressure, with the unemployment rate rising to 5.2% in February to April 2020. Household income growth also decreased amid the abruptly disrupted economic situation. Government has rolled out relief measures to keep workers in employment and to help low-income groups.

Source: Hong Kong Economy, Financial Secretary

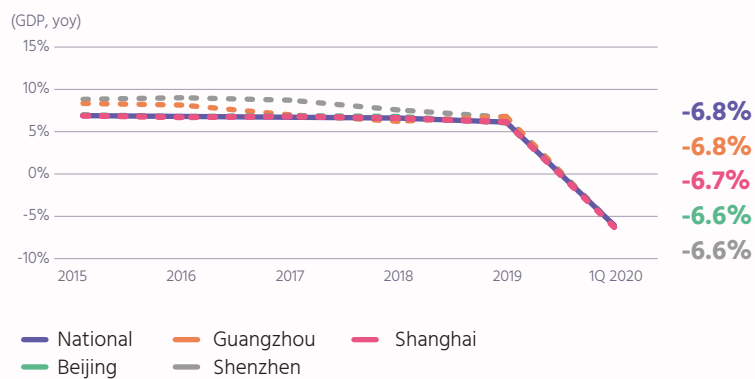
- Non-discretionary retail trades, particularly supermarkets, will continue to demonstrate high resilience. Overall consumer spending depends critically on how the COVID-19 situation evolves.
- Office leasing momentum weakens with enterprises delaying their business decisions. Rental of decentralised areas experience less impact as it remains a cost-effective option.

Source: Jones Lang LaSalle

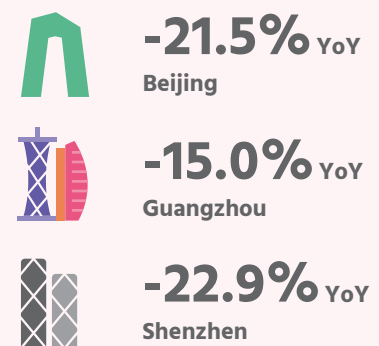
**Mainland China** faced the first quarterly economic contraction in the first quarter of 2020 as economic activities came to a halt due to COVID-19. Although businesses have gradually resumed as the pandemic has abated domestically, pressure remained as the world's second-largest economy may record its slowest growth in decades. Although disposable income growth in Beijing, Guangzhou and Shenzhen moderated, China's sound long-term economic fundamentals remain. For the property market, office rents are under pressure due to weaker business sentiments amid global economic slowdown.



### Economy Hard Hit by COVID-19



### Retail Sales Dipped



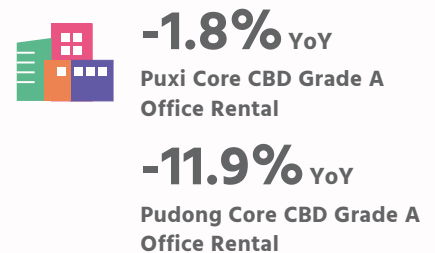
### Urban Households Disposable Income Growth Moderated



Note: Figures for 1Q 2020

Sources: National Bureau of Statistics of China, Beijing Municipal Bureau of Statistics, Shanghai Municipal Statistics Bureau, Statistics Bureau of Guangzhou Municipality, Statistics Bureau of Shenzhen Municipality

### Less Impact to Shanghai Puxi Office Rent



Note: Figures as at 1Q 2020

Source: Jones Lang LaSalle

## Outlook

- China's economy is gradually picking up with policy support now that the pandemic is being controlled locally. However the weak global demand may hinder the speed of recovery. 2020 full year forecast is 1.0%.
- Disposable income growth for urban households is expected to improve gradually alongside economic recovery. Retail sales have shown signs of improvement in March and April 2020.
- With diversified demand profile and limited new supply, Shanghai Puxi core CBD Grade A office rents are more resilient. Weak business sentiment may cloud the rental growth in the near term.

## Property Market

The commercial real estate investment market was adversely affected and most of the property transaction activities occurred in January 2020 before the COVID-19 outbreak. In terms of asset class, retail deals were the worst hit (-39% YoY) due to social distancing measures and the absence of large deals in Mainland China. According to Jones Lang LaSalle, investors still have a strong appetite to invest in Asia Pacific real estate market due to dry power that needs to be deployed.

Link will continue to look for potential investment opportunities prudently in Hong Kong, Mainland China and overseas. For details of our portfolio management strategy, please refer to p.31.

### Money Invested In Direct Real Estate Investment in 1Q 2020

**-26% yoy**  
Asia Pacific

**-62% yoy**  
Mainland China

**-74% yoy**  
Hong Kong

**-68% yoy**  
Singapore



Source: Jones Lang LaSalle, April 2020

## Credit Outlook

As investors seek safety in the capital market, the 10-year U.S. Treasury yields touched an all-time low of 0.54% in March 2020 in time of heightened uncertainty. While the COVID-19 outbreak has the potential to disrupt global supply chains and lead to economic recession, market volatility may continue in the short to medium-term and credit spread may widen before market stabilises. Companies who are highly leveraged will be vulnerable to credit risks.

Link is mindful of the credit conditions and has shored up our liquidity level to ensure a robust financial position. For details of our capital management strategy, please refer to p.33.



**U.S. 10-year Treasury  
note yield**

**0.65%**

(As at 29 May 2020)

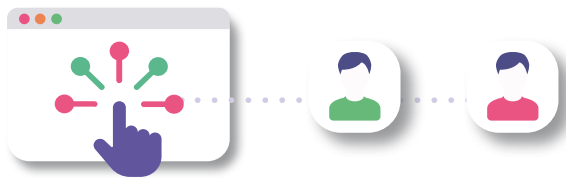
Source: Bloomberg



## Digitalisation

Digitalisation and new technologies are driving people live and work. COVID-19 has fuelled the surge of various applications as people adjust to social distancing and working remotely. Different electronic platforms are becoming more popular, improvement in operational efficiency with the cloud services is gaining traction for sustaining operations during this unprecedented time.

To best support Linkers, we have transitioned to cloud-based email and storage system and allowed flexible and agile working to ensure business continuity. Please refer to p.37 for details of how we strengthen workspace agility.



**>300 million**

Zoom's daily meeting participants

**>75 million**

Microsoft Teams daily users

**Up 3 times**

Windows Virtual Desktop usage

Source: Zoom/ Microsoft website, April 2020

## Shopper Preference

Food and beverage, services and entertainment tenants were seriously affected as Government imposed different social distancing measures. However, supermarkets and fresh markets have been performing strongly with consumers shopping for groceries and fresh produce. Many operators have shifted from traditional bricks and mortar to omni-channel retail to maximise sales opportunities. As a result, e-commerce has accelerated, particularly for food and groceries.

The retail industry will experience a paradigm shift with rising omni-channel platforms, in particular in the grocery and food-related categories. There will be more opportunities for community shopping centres to set up delivery pick-up points and establish physical presence for the convenience of shoppers. Download our Park & Dine app (QR code can be found on inside back cover) to experience the convenience we have created for you.

**+38.9%**

(2023 vs 2019)



**Estimated e-commerce turnover in Hong Kong**

Source: Worldpay Global Payments Report 2020

## Health and Safety

COVID-19 has raised the alarm on the societal and ecosystem fragility, highlighting pressing concerns about public health and safety. Some real estate and property managers have started to take this lockdown period as an opportunity to re-think the whole business structure and the value chain risk vulnerability under such circumstances. A higher level of service with better public health management is expected to prevent the spread of virus at busy shopping centres.

Link has maintained a hygienic environment and high service level to serve the communities around us. We actively conducted preparedness and scenario planning which allow us to solidify relationships with our stakeholders, monitor emerging risks, react swiftly and sustain long-term operations. P.44-47 summarise our risk management approach.

**~2.6 billion**



**Estimated global number of people under a certain degree of lockdown or quarantine**

Source: World Economic Forum, April 2020

# PORTFOLIO GROWTH

Link has a proven track record of growing the portfolio both organically and through strategic and careful acquisitions. The aim is to provide our Unitholders with steady returns.



**96.5% | 97.8%**  
 Hong Kong Mainland China  
**Retail Occupancy**

**12.6% | 29.6%**  
 Hong Kong Mainland China  
**Retail Reversion Rate**

**-11.6%**  
 yoy  
**Change in Valuation**

## Overall Financial Results

Revenue and net property income increased by 6.8% and 6.9% year-on-year to HK\$10,718 million (2019: HK\$10,037 million) and HK\$8,220 million (2019: HK\$7,689 million), respectively. On a like-for-like basis, revenue and net property income increased by 5.6% and 6.3% year-on-year, respectively.

Valuation of the investment properties portfolio declined by 11.6% to HK\$193,224 million (31 March 2019: HK\$218,496 million). As a result, loss for the year, before transactions with Unitholders was HK\$17,303 million (2019: profit of HK\$20,442 million). Net asset value per unit fell by 13.3% to HK\$77.61 (31 March 2019: HK\$89.48).

Total distributable amount, after adjustments and a discretionary distribution of HK\$291 million (2019: HK\$53 million), amounted to HK\$5,965 million (2019: HK\$5,723 million). Distribution per unit (**DPU**) for the year increased by 5.9% to HK287.19 cents (2019: HK271.17 cents), comprising an interim DPU of HK141.47 cents (2019: HK130.62 cents) and a final DPU of HK145.72 cents (2019: HK140.55 cents).

## A Challenging Year

2019/2020 was a challenging year with several unprecedented events including the social incidents in Hong Kong, the global COVID-19 outbreak and the US-China trade war. These events have exerted extreme pressures on Hong Kong and Mainland China.



As our Hong Kong portfolio is non-discretionary focused, the portfolio has shown resilience and growth in early 2019/2020. However, the COVID-19 outbreak starting from the first quarter of 2020 has some negative impact to our business.

While the global economy was contracting since early 2020, Link remained agile and helped stakeholders during this challenging time. We established tenant support schemes in Hong Kong and Mainland China to help our tenants weather the challenges. Our focus remains on the community and stimulating consumer spending and retail sales, taking into consideration the health and safety of our tenants and shoppers.

## Management

As an integral part of the community, we sought to maintain stability in our business during these uncertain times. We have nurtured our team of professional asset managers to support the management of our retail, car park and office facilities across Hong Kong and Mainland China. While the prevailing weakness in economy is hindering the retail sector, the team is committed to maintaining a close dialogue with our stakeholders and working together to ensure a swift recovery.

## Hong Kong Portfolio

### Revenue Analysis

#### Retail

Link has delivered reasonable retail rental growth despite the uncertainties in this challenging business environment. During the year, total retail revenue increased by 7.0% on a like-for-like basis.

Since mid-2019 with the onset of social incidents, we have remained vigilant and strived to maintain normal operations of our shopping centres as much as possible. With the collective effort of our management team, disruption to our tenants has been relatively mild.

However, towards the end of January 2020, the COVID-19 outbreak severely dampened consumer sentiment and affected nearly every single trade category. Food & beverage (**F&B**) tenants, especially Chinese restaurants, suffered due to social distancing measures and many education centres suspended classes during this period. In April 2020, certain entertainment/service tenants such as gymnasiums and massage/beauty centres were also asked to close temporarily by Government.

### Revenue Breakdown

	Year ended 31 March 2020 HK\$'M	Year ended 31 March 2019 HK\$'M	Year-on-year change %	Like-for-like basis year-on-year change %
<b>Retail rentals:</b>				
Shops <sup>(1)</sup>	5,592	5,420	3.2	7.6
Markets/Cooked Food Stalls	916	925	(1.0)	2.8
Education/Welfare and Ancillary	139	137	1.5	6.9
Mall Merchandising	168	178	(5.6)	(1.8)
<b>Expenses recovery and other miscellaneous revenue</b>	<b>407</b>	369	10.3	11.8
<b>Total retail revenue</b>	<b>7,222</b>	7,029	2.7	7.0

Note:

(1) Rental from shops included base rent of HK\$5,525 million (2019:HK\$5,322 million) and turnover rent of HK\$67 million (2019:HK\$98 million).

Occupancy rate for the portfolio remained stable at 96.5% as at 31 March 2020. Lease negotiations were susceptible to weak sentiment and as a result, the reversion rate (excluding short-term leases for less than one year) for the overall portfolio slowed to 12.6% during the year. Average monthly unit rent improved mildly by 3.4% year-on-year to HK\$70.3 psf as at 31 March 2020.

We maintained our non-discretionary nature with over 64% of monthly rent from food-related tenants. Nevertheless, our portfolio was not entirely immune to the softening market and our tenant performance slowed during the year, particularly after the COVID-19 outbreak. Overall tenants' retail gross sales psf dropped by 1.7%.

## Operational Statistics

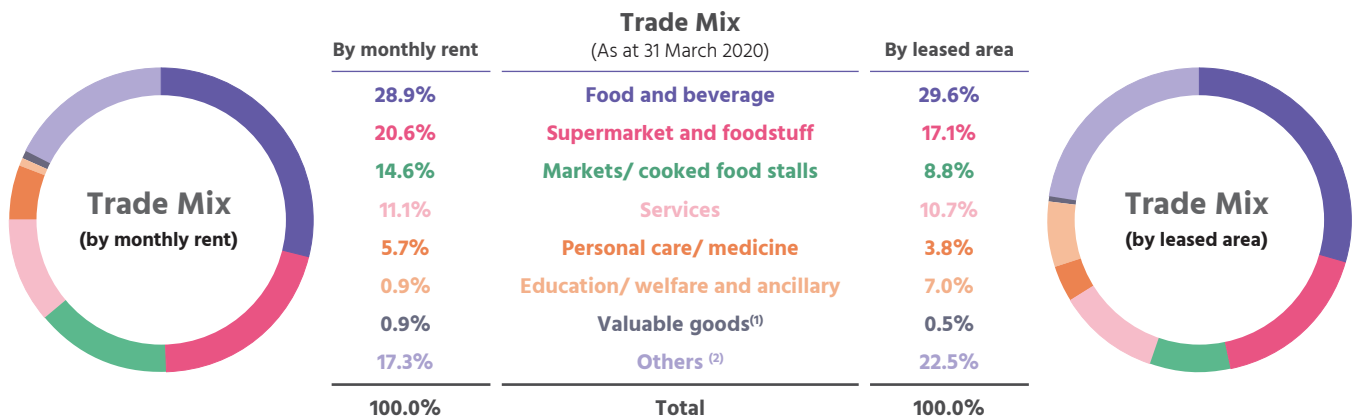
	Occupancy rate		Reversion rate		% of total area <sup>(1)</sup>
	As at 31 March 2020 %	As at 31 March 2019 %	Year ended 31 March 2020 %	Year ended 31 March 2019 %	As at 31 March 2020 %
Shops	96.4	97.4	12.1	21.0	84.2
Markets/Cooked food stalls	95.0	92.2	18.1	28.7	9.0
Education/Welfare and Ancillary	99.4	99.5	12.2	9.6	6.8
<b>Total</b>	<b>96.5</b>	<b>97.1</b>	<b>12.6</b>	<b>22.5</b>	<b>100.0</b>

Note:

(1) Total excluding self-use office.

## Portfolio Breakdown

	No. of properties	Retail properties valuation	Retail rentals	Average monthly unit rent		Occupancy rate	
		As at 31 March 2020 HK\$'M		As at 31 March 2020 HK\$ psf	As at 31 March 2019 HK\$ psf	As at 31 March 2020 %	As at 31 March 2019 %
<b>Properties</b>							
Destination	6	27,599	1,381	91.1	86.7	93.3	95.4
Community	35	69,948	3,815	77.5	75.2	96.9	97.7
Neighbourhood	57	29,968	1,619	50.1	48.4	97.4	97.0
<b>Total</b>	<b>98</b>	<b>127,515</b>	<b>6,815</b>	<b>70.3</b>	<b>68.0</b>	<b>96.5</b>	<b>97.1</b>



Looking into different trade categories, Supermarket and foodstuff tenants have done exceptionally well and grew by 8.3% in gross sales psf. F&B tenants' gross sales psf recorded negative growth of 3.4%. Gross sales psf of General retail tenants has shrunk by 6.8%. We expect Supermarket and foodstuff tenants continue to show resilience while other tenants will continue to suffer as long as social distancing measures are in place.

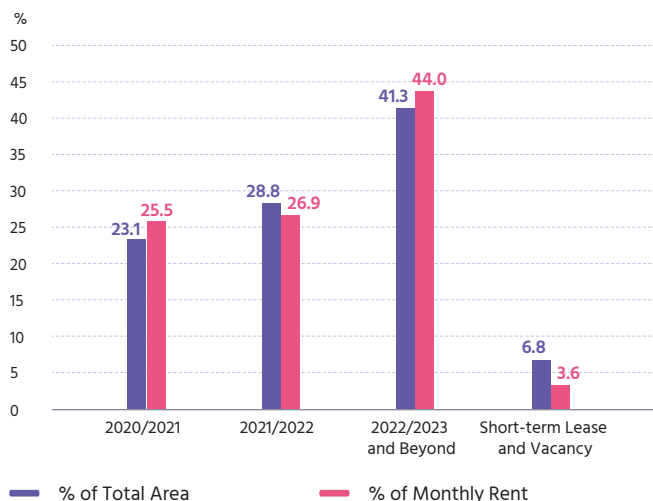
During the year, rent-to-sales ratio of our Hong Kong portfolio was steady at 14.7% while those of F&B, Supermarket and foodstuff and General retail tenants were 15.7%, 11.9% and 16.8%, respectively.

While Hong Kong economy and consumption is likely to remain under pressure for the rest of 2020, Link has been working hand-in-hand with tenants to ride through this challenge. We have been agile in refining the lease structures to allow short-term lease extensions in certain expiring leases. We launched a HK\$80 million scheme in February 2020, to support selected small and medium-sized tenants (**SMEs**), in particular F&B operators and education centres, in the form of granting rent-free periods, reducing rents and allowing payment by instalments, etc. This support scheme was increased to HK\$300 million in April 2020 to broaden our assistance to those sectors that have been hardest hit since the second half of 2019. To date, equivalent to around 1/3 of our Hong Kong portfolio have been offered rental concessions, of which most of them were SMEs and many cases were education centres.

Other concessionary support, including parking discount to school bus operators, antiseptic kit redemption and free fruits were offered to promote spending and supporting the community. We believe the HK\$300 million support scheme should be sufficient, barring any further drastic deterioration of the economy. We are actively working with our tenants and the community to overcome these difficult times. We may consider further concessions subject to discussions with tenants.

### Portfolio Lease Expiry Profile

(As at 31 March 2020)



Notes:

(1) Include jewellery, watches and clocks.

(2) Include clothing, department stores, electrical and household products, optical, books and stationery, newspaper, leisure and entertainment.

### Car Parks

Our portfolio of about 57,000 car park spaces in Hong Kong has been generating steady income given limited supply and effective car park management. Car park rental revenue recorded only a small increase of 4.2% on a like-for-like basis, due to the decline in parking demand. Hourly parking on the part of out-of-district shoppers fell as a result of social incidents and COVID-19 related social distancing practices. Monthly parking was also impacted by rampant illegal parking.

However, we remain positive for the medium-term outlook as car park income per space per month was HK\$2,827 for the year, still relatively low comparing to the market in general. In view of increasing operating pressure for school bus operators, a six-month parking discount has been offered to mitigate the impact of school suspensions on these operators. We will continue to review our tariff adjustment plan according to market conditions.

### Revenue Breakdown

	Year ended 31 March 2020 HK\$'M	Year ended 31 March 2019 HK\$'M	Year-on-year change %	Like-for-like basis year-on-year change %
<b>Car parks rentals:</b>				
Monthly	1,494	1,496	(0.1)	8.0
Hourly	418	483	(13.5)	(8.2)
<b>Expenses recovery and other miscellaneous revenue</b>	5	3	66.7	150.0
<b>Total car park revenue</b>	<b>1,917</b>	1,982	(3.3)	4.2

### Key Car Park Performance Indicators

	Year ended 31 March 2020	Year ended 31 March 2019
Car park income per space per month (HK\$)	2,827	2,719
	As at 31 March 2020	As at 31 March 2019
Total valuation (HK\$'M)	31,732	35,059
Average valuation per space (HK\$'000)	561	625

## Office

Jointly-developed by Link and Nan Fung Group in 2019, The Quayside is positioned as a modern hub of commercial activities and lifestyle. As of the date of this report, we have managed to commit around 80% of the office floor space. Three additional tenants, including Manulife, a local finance firm, and Adidas, which have collectively committed to take up over two additional floors in total, are joining other blue-chip tenants such as JP Morgan and Gammon. Around 72% of the three-storey retail podium is committed by various tenants mainly F&B outlets to satisfy nearby demand.

## Expense Analysis

On a like-for-like basis, total property expenses increased moderately by 3.6% and net property income margin of Hong Kong portfolio stayed steady at 77.2% (2019: 76.6%).

Property managers' fees, security and cleaning expenses grew 7.9% year-on-year on a like-for-like basis as the statutory minimum wage was revised up by 8.7% since May 2019. Staff costs have declined mainly due to a decrease in long-term incentive schemes awards as a result of the drop in unit price. Increments in government rent and rates were partly due to the increase in the rateable value of our properties. The increase in other property operating expenses were mainly due to bad debt provision since the COVID-19 outbreak and the increase in depreciation of the new self-use office.

## Property Operating Expenses Breakdown

	Year ended 31 March 2020 HK\$'M	Year ended 31 March 2019 HK\$'M	Year-on-year change %	Like-for-like basis year-on-year change %
Property managers' fees, security and cleaning	578	542	6.6	7.9
Staff costs	380	484	(21.5)	(17.0)
Repair and maintenance	207	203	2.0	8.9
Utilities	263	249	5.6	4.6
Government rent and rates	313	274	14.2	13.5
Promotion and marketing expenses	113	131	(13.7)	(17.7)
Estate common area costs	85	87	(2.3)	7.6
Other property operating expenses	229	159	44.0	42.9
<b>Total property operating expenses</b>	<b>2,168</b>	<b>2,129</b>	<b>1.8</b>	<b>3.6</b>

## Mainland China Portfolio

Our Mainland China portfolio comprises five properties across the four tier-one cities. During the year, with the two newly acquired properties in 2019, the portfolio contributed a total revenue of HK\$1,448 million and net property income of HK\$1,118 million, representing a 41.1% and 38.5% year-on-year increase, respectively.

With over 43% of the area taken up by F&B and Supermarket and foodstuff tenants, the four retail properties have capitalised on the everyday spending of residents and office workers nearby. The average occupancy remained at a healthy level of 97.8% as at 31 March 2020. Retail reversion performed well at 29.6% for 2019/2020. The portfolio delivered stable performance up until February 2020, when the COVID-19 outbreak forced many of our tenants to close or scale back their businesses due to social distancing measures imposed by the Central Government. We saw a slump in footfall in the following months due to the national lockdown. February and March 2020 were quiet months for the shopping centres, and we offered relief measures to affected tenants and aimed to help

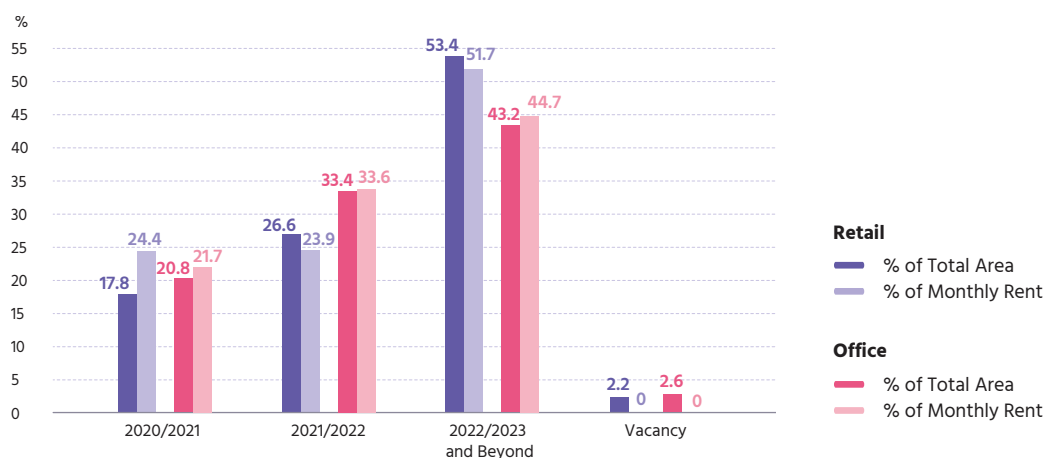
maintain their competitiveness. It has been encouraging to see tenant businesses returning since mid-March 2020. Even though some entertainment businesses, such as cinemas and gymnasiums are still under certain operational restrictions, we have seen footfall gradually picking up since April 2020 with about 60% of previous year's footfall by May 2020.

Acquired in 2019, CentralWalk in Shenzhen Futian and Beijing Jingtong Roosevelt Plaza in Beijing Tongzhou performed satisfactorily and delivered rental reversions of over 40% during the year. We have received positive feedback on the trade mix and property management improvements so far, and our continuous investments will benefit the assets' attractiveness and overall value.

Our office property in Shanghai Jingan District, Link Square, was comparatively less affected during the year. Office occupancy stood at a steady level of 97.4% as at 31 March 2020 and the office reversion rate was 7.1%. Although office leasing momentum has slowed in view of the COVID-19 outbreak and increasing supply in Shanghai, we believe Link Square will remain competitive in the Shanghai office market given its high quality and prime location.

## Portfolio Lease Expiry Profile

(As at 31 March 2020)





CentralWalk, Shenzhen



Jingtong-Roosevelt Plaza, Beijing

## Mainland China Portfolio Records Stable Performance



Since 2015, we have progressively expanded our footprint in Mainland China. With five properties located in four tier-1 cities, this network of properties has yielded encouraging results in the face of immense challenges. Reversion and occupancy both attained promising levels and we have made significant progress in integrations and asset management.

Newly acquired in 2018/2019, Jingtong Roosevelt Plaza in Beijing and CentralWalk in Shenzhen, continued to perform well with reversions exceeding our expectations. The operation teams have smoothly

transitioned to the Link family. We have also expanded and reorganised the asset management team to enhance our relationship with tenants for better implementation of asset management plans.

Even though the COVID-19 outbreak has caused disruption to our Mainland China business in early 2020, it is encouraging to see most of the tenants were already open for business by end of May 2020 and overall footfall was back to about 60% as the same time last year.



## Enhancement

During the year, we have completed seven asset enhancement projects with a total capex of HK\$789 million, of which four included fresh market upgrades. With 85 asset enhancement projects completed since initial public offering, Link has brought wider shopping choices for shoppers and better operating environment for tenants that optimise the growth potential of our organic portfolio. We will be extending our asset enhancement strategy to Mainland China and we will upgrade CentralWalk in Shenzhen. Being our first enhancement project in Mainland China, we hope to enhance its market positioning and re-affirm its appeal as a “must-go” shopping and entertainment destination in Futian, Shenzhen.

The first asset enhancement of Tsz Wan Shan Shopping Centre in the early years of Link had proven to be a success and the asset now ranks third in our portfolio in terms of valuation. In 2017/2018, we started its second asset enhancement by converting the supermarket and Chinese restaurant into new retail shops and reducing duplication of trades. This year, we completed another phase of enhancement which further increased its attractiveness as a sizable community centre with a kid-friendly outdoor playground on top of new dining and entertainment elements.

Enhancement of Sheung Tak Plaza in Tseung Kwan O has turned this 22-year-old property into a revitalised attraction of the district. With a revamped identity “TKO Spot”, the shopping centre is repositioned for healthy living and wellness to target young individuals living in the area. The French sports goods retailer Decathlon was introduced after

consolidating the retail shops on 3/F, turning 30,467 square feet into the largest sports goods outlet in Hong Kong with an outdoor trial zone. We have also revamped the fresh market into “Spot Mart” which provides fresh produce and quick meals from over 50 stores. With a newly refurbished façade and upgraded atrium, TKO Spot has become a strategic community centre that is complementary to TKO Gateway, our destination centre only one subway station away.

Due largely to the higher base and dampened leasing environment as affected by social incidents since mid-2019, the return on investment (**ROI**) of some of the projects completed in the year were lower than expected. We expect the scale of future enhancement projects going forward will be smaller, but we still aim to achieve double-digit ROI as we continue to unleash the potential of the portfolio. With the prolonged disruptions to retail activities caused by social incidents and COVID-19, we will be more selective in planning our asset enhancement pipeline.

Currently, over 20 enhancement projects are underway or under planning in Hong Kong and Mainland China, and the pipeline is extended to 2025/2026. For asset enhancement of CentralWalk in Shenzhen, we have started negotiating with existing tenants on shop relocation or re-layout to unlock space to upgrade our retail and service offerings. The enhancement work is expected to commence in the third quarter of 2020. We will remain flexible in planning and phasing the enhancement projects to maximise economic efficiency and improve asset performance while keeping rental income stream as steady as possible.

## Return on Investment of Asset Enhancement Projects Completed in the Year Ended 31 March 2020

	Total project capex HK\$'M	Estimated return on investment % <sup>(1)</sup>
Nam Cheong Place <sup>(2)</sup>	174	14.0%
Choi Ming Shopping Centre	104	18.3%
Tsz Wan Shan Shopping Centre	157	10.2%
TKO Spot <sup>(2)</sup>	183	12.0%
Fung Tak Shopping Centre <sup>(2)</sup>	60	15.8%
Hin Keng Market <sup>(2)</sup>	76	15.6%
Yiu On Shopping Centre	35	6.1%
<b>Total</b>	<b>789</b>	

Notes:

(1) Estimated return on investment is calculated based on projected net property income post-project minus net property income pre-project divided by estimated project capital expenditures and loss of rental.

(2) Enhancement includes fresh market.



## Asset Enhancement Pipeline

	Number of projects	Estimated costs HK\$'M
Underway	4	411
Under planning	>19	>1,300
<b>Total</b>	<b>&gt;23</b>	<b>&gt;1,711</b>

## Approved Asset Enhancement Projects Underway

	Estimated costs HK\$'M	Target completion date
Lok Fu Place	172	Late 2020
Kai Tin Shopping Centre	153	Late 2020
Choi Yuen Plaza	29	Early 2021
Tai Wo Plaza	57	Early 2021
<b>Total</b>	<b>411</b>	

## Acquisition and Divestment

In December 2019, we announced our first acquisition beyond Greater China – 100 Market Street in Sydney, Australia at a consideration of A\$683 million. Fully occupied by three highly-rated tenants, this 10-storey grade-A office property is expected to drive stable and sustainable growth with a long weighted average lease expiry of over 8 years and ~4% rental escalation per year. The acquisition was completed subsequent to the end of this financial year on 7 April 2020.

While Hong Kong will remain as Link's core market, we will continue to balance between income stability and growth by exploring acquisition opportunities. We prefer properties in Hong Kong and tier-1 cities in Mainland China and their surrounding river delta areas. We will also explore gateway cities in other developed markets, namely Australia, Singapore, Japan and the United Kingdom, due to their relative market stability and liquidity, and favourable regulatory environment.

We expect Hong Kong assets to account for 70% to 75% of our total portfolio value. Assets in Mainland China and overseas will take up no more than 20% and 10% of our portfolio, respectively. In terms of asset class, retail will continue to be our focus and office is expected to account for 15% to 20% of our expanded portfolio. We will continue to be disciplined in selecting the right properties that provide long-term growth potential to support our inorganic growth and contribute to a quality growth trajectory.

It is always our intention to hold our assets as long-term investments. Currently, Link has no plan for divestment, but we will continue to review the productivity of our assets. Proper portfolio management will drive us towards long-term value creation as part of our Vision 2025.

## Development

We have developed a grade-A commercial complex via a joint venture with Nan Fung Group, namely The Quayside. It was successfully completed and the occupation permit was obtained in May 2019. We now have up to 10% of the gross asset value for conducting property development and related activities pursuant to the Code on Real Estate Investment Trusts (the **REIT Code**) and Link's trust deed (the **Trust Deed**). As property development allows us to build assets to our own specifications and take part in the early stages of development phase with lower entry cost, we will continue to look for suitable development opportunities that can bring long-term attractive yield in terms of both income growth and capital appreciation.

## Valuation Review

Colliers International (Hong Kong) Limited, the newly appointed principal valuer of Link pursuant to the requirements of the REIT Code, valued our property portfolio using Income Capitalisation approach and cross-referencing

market comparables via the Direct Comparison approach. As at 31 March 2020, the total value of our investment properties decreased by 11.6% to HK\$193,224 million (31 March 2019: HK\$218,496 million).

The value of our Hong Kong retail properties and car parks decreased by 11.5% and 9.5% year-on-year to HK\$127,515 million and HK\$31,732 million, respectively, due to decrease in valuer's rental projection and capitalisation rate expansion given the dampened economy and property market. Weighted average retail and car park capitalisation rate has expanded from 4.01% as at 31 March 2019 to 4.27% as at 31 March 2020. The Hong Kong office property was valued at HK\$9,914 million as at 31 March 2020.

Our properties in Mainland China were valued at HK\$25,317 million (31 March 2019: HK\$28,793 million). The decrease in valuation of HK\$3,476 million is attributable to the decrease in valuer's estimated market rent and the exchange loss on translation of HK\$1,791 million as a result of the depreciation of Renminbi.

## Valuation

	Valuation		Capitalisation Rate	
	As at 31 March 2020 HK\$'M	As at 31 March 2019 HK\$'M	As at 31 March 2020	As at 31 March 2019
<b>Hong Kong</b>				
Retail properties	127,515	144,096	3.10% – 4.50%	3.00% – 4.20%
Car parks	31,732	35,059	3.10% – 5.30%	3.50% – 4.80%
Office property	9,914 <sup>(2)</sup>	–	3.00%	N.A.
Property under development	–	10,548 <sup>(1)</sup>	N.A.	N.A.
	169,161	189,703		
<b>Mainland China</b>				
Retail properties	19,146	21,264	4.25% – 4.75%	4.25% – 4.75%
Office property	6,171	7,529	4.25%	4.25%
	25,317	28,793		
<b>Total valuation</b>	194,478	218,496		
<b>Total valuation of investment properties</b>	193,224 <sup>(3)</sup>	218,496		

Notes:

(1) The commercial property under development — The Quayside — was completed in May 2019.

(2) The amount represents the office portion only of The Quayside.

(3) The amount has excluded two floors of The Quayside which Link has occupied for self-used office and was classified as property, plant and equipment.

## Capital Management

During the financial year ended 31 March 2020, the global economy was initially dampened by US-China trade tensions and was then sharply hit by the spread of COVID-19. Global central banks delivered historic easing packages, including significant quantitative easing by the US Federal Reserve. The US Federal Reserve reduced interest rate five times for a total of 2.25%. The lower bound of the Federal Funds Target Rates returned to zero for the first time since 2015. The 10-year US Treasury bond yield also fell to a record low level at 0.5% in March 2020.

HK\$ market interest rate was more volatile than US\$ market interest rate during the year under review due to the prolonged social incidents in 2019 and the COVID-19 outbreak in 2020. 1-month HIBOR peaked at 3.0% in April 2019, fell to 1.1% in early March 2020 but rebound to 2.1% at the end of March 2020.

Amidst the volatile global financial markets and economic uncertainties, Link remained vigilant to shore up our liquidity level to ensure financial robustness to both protect any downside and capture any acquisition opportunities.

## New Financing Transactions

- In April 2019, Link issued HK\$4 billion guaranteed green convertible bonds due 2024 at 1.6% per annum. It is the first-ever green convertible bond launched globally in the real estate sector and for Hong Kong issuers.
- In July and August 2019, Link issued HK\$716 million 5-year notes at 2.28% per annum and HK\$1 billion 7-year notes at 2.50% per annum.
- In September 2019, Link closed a HK\$12 billion 4-year club loan facility at an all-in interest cost of 0.8% over HIBOR per annum. The facility received overwhelming responses from 18 banks despite the social incidents in Hong Kong during the period. It demonstrated the banking market placed great confidence in Link's business resilience to economic cycles.
- In March 2020, Link raised its maiden sustainability-linked loan of A\$212 million with 5-year maturity from DBS Bank.
- On 2 April 2020, immediately after the financial year, Link has priced HK\$1.01 billion 5-year notes at 2.35% per annum.
- On 7 April 2020, Link's first acquisition in Australia, 100 Market Street in Sydney, was completed. Link raised A\$414 million from a 5-year term loan from ANZ Bank domestically to fund the acquisition.
- In May 2020, Link signed another 5-year sustainability-linked loan of HK\$1 billion with OCBC Bank.

All sustainability-linked loans were structured to incorporate a reduced pricing structure with interest cost savings

if Link achieves sustainability milestones based on our performance in the Global Real Estate Sustainability Benchmark (**GRESB**). The loans ensure the integration of sustainability best practices into Link's daily operations.

## Debt Profile and Available Funding

As at 31 March 2020, Link's total debt increased to HK\$34.6 billion (31 March 2019: HK\$24.5 billion). Our gearing ratio increased to 16.7% (31 March 2019: 10.7%), partly due to the valuation decline of our investment properties. Our available liquidity remained strong at HK\$16.2 billion (31 March 2019: HK\$16.1 billion), comprising HK\$7.9 billion cash and deposits (31 March 2019: HK\$6.8 billion) and HK\$8.3 billion undrawn committed debt facilities (31 March 2019: HK\$9.3 billion). The average life of committed debt facilities remained long at 4.0 years (31 March 2019: 4.0 years). Link's available funding was sufficient for at least 24 months of operations without new financing.

As at 31 March 2020, the effective interest cost of our HK\$ debt portfolio fell to 2.94% (31 March 2019: 3.12%). 56.5% of our HK\$ debt was maintained at fixed interest rate (31 March 2019: 69.8%). The average life of HK\$ fixed-rate debt, a measure of the average period of interest rate protection provided by HK\$ fixed-rate debt, remained stable at 5.0 years (31 March 2019: 4.8 years).

## Relevant Investments

To better manage our surplus cash and investment capacity to enhance returns to our Unitholders, Link invested HK\$2.8 billion in investment-grade bonds with maturities of up to five years. As at 31 March 2020, the average maturity of our bond portfolio was 3.1 years. The average bond yield was 3.5%, while the credit rating of the bond portfolio was about BBB+ on average. The fixed income market has been volatile since the COVID-19 outbreak. While we will continue to monitor the credit quality of our investments, we intend to hold them until their respective maturities. Apart from debt securities, we will also explore investment opportunity in listed equities, REITs or property funds in line with the investment strategy approved by Unitholder in 2018, if such investments have the potential to generate or enhance strategic opportunities for Link.

## Capital Return Programme

In June 2019, Link announced its plan to buyback up to 60 million units as part of our capital return programme. Our execution of the buyback programme depends on market conditions, unit price, trading volume and other regulatory considerations. In the financial year, we bought

back approximately 52 million units at an average unit price of HK\$81.7 using HK\$4.2 billion. In the coming financial year, we will consider further unit buyback subject to market conditions and other regulatory requirements.

Following the last divestment completed on 13 March 2019, we have budgeted a discretionary distribution of about HK14 cents per unit per year for three years starting from the financial year ended 31 March 2020. This is to top-up for distribution per unit loss arising from the divestment to the extent the shortfall is not replaced by earnings from new acquisitions. This discretionary distribution, along with the announced buyback, is funded by the divestment premium of HK\$2.8 billion achieved. Therefore, a discretionary distribution of HK\$146 million or HK7.07 cents per unit for 2H 2019/2020 will be included in the final distribution.

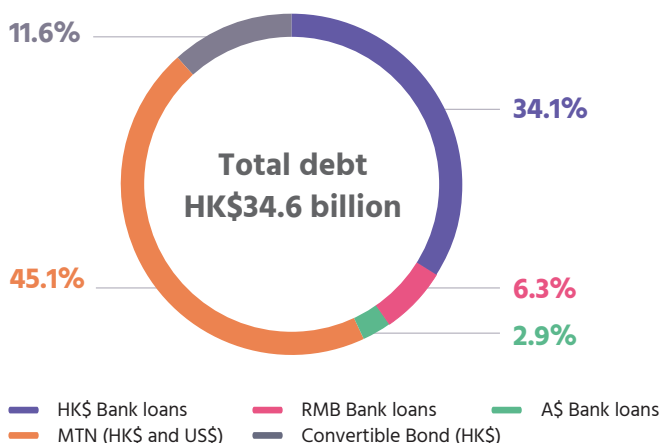
## Foreign Exchange Management

We have arranged approximately RMB600 million and A\$15 million of forward contracts against HK\$ to fix our RMB and A\$ denominated net income in HK\$ terms for the 2020/2021 financial year, ensuring distributable income during the financial year is largely hedged against foreign currency fluctuations. In 2019/2020, a hedging gain of approximately HK\$29 million was realised from our foreign exchange hedging strategy.

## Credit Ratings

In June 2019, Moody's relaxed the key rating trigger on Link from 6.0-6.5 times debt-to-EBITDA to 6.5 times net debt-to-EBITDA. The latest rating trigger from Moody's provides Link with a larger debt headroom for potential acquisitions in the future. On 28 November 2019, Moody's further reaffirmed Link's "A2/Stable" credit rating. Standard and Poor's and Fitch Ratings also reaffirmed Link's rating at "A/Stable" on 13 August 2019 and 13 November 2019 respectively.

### Funding Base (as at 31 March 2020)



## Committed Debt Facilities<sup>(1)</sup>

(As at 31 March 2020)

(HK\$ billion)	Fixed rate debt <sup>(2)</sup>	Floating rate debt <sup>(2)</sup>	Utilised facilities	Undrawn facilities	Total committed facilities
<b>Hong Kong</b>					
HK\$ Bank loans	3.0	8.8	11.8	8.3	20.1
A\$ Bank loan	–	1.0	1.0	–	1.0
Medium Term Notes (MTN)	10.8	4.8	15.6	–	15.6
Convertible bond (CB)	4.0	–	4.0	–	4.0
<b>Sub-Total</b>	<b>17.8</b>	<b>14.6</b>	<b>32.4</b>	<b>8.3</b>	<b>40.7</b>
<b>Mainland China</b>					
RMB Bank loans	–	2.2	2.2	–	2.2
<b>Sub-Total</b>	<b>–</b>	<b>2.2</b>	<b>2.2</b>	<b>–</b>	<b>2.2</b>
<b>Total</b>	<b>17.8</b>	<b>16.8</b>	<b>34.6</b>	<b>8.3</b>	<b>42.9</b>

Notes:

(1) All amounts are at face value.

(2) After interest rate swaps.

**Facility Maturity Profile <sup>(1)</sup>**

(As at 31 March 2020)

(HK\$ billion)	MTN	CB	HK\$ Bank loans	RMB Bank loans	A\$ Bank loan	Undrawn facilities	Total
Due in 2020/2021	0.4	–	0.5	0.1	–	0.5	1.5
Due in 2021/2022	1.5	–	4.0	0.1	–	1.5	7.1
Due in 2022/2023	1.2	4.0	0.3	0.2	–	0.7	6.4
Due in 2023/2024	–	–	7.0	0.2	–	5.6	12.8
Due in 2024/2025 and beyond	12.5	–	–	1.6	1.0	–	15.1
<b>Total</b>	<b>15.6</b>	<b>4.0</b>	<b>11.8</b>	<b>2.2</b>	<b>1.0</b>	<b>8.3</b>	<b>42.9</b>

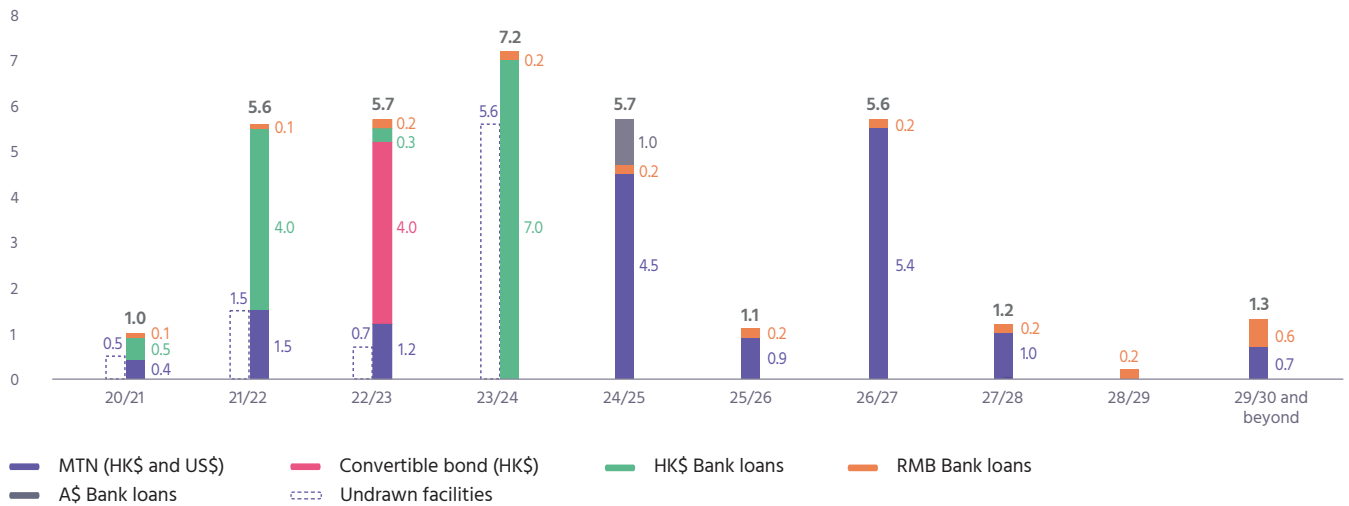
Note:

(1) All amounts are at face value.

**Facility Maturity Profile <sup>(1)</sup>**

(as at 31 March 2020)

HK\$ billion



Notes:

(1) All amounts are at face value.

(2) HK\$4 billion convertible bond has a maturity of 5 years with a 3-year put option exercisable in 2022/2023.

# CULTURE OF EXCELLENCE

Link's Culture of Excellence is integral to Vision 2025 and permeates throughout the organisation. In 2019/2020, we further strengthened our value proposition to the careers of current and future Linkers which we believe will be the catalyst for Link's transformation.

To maintain our productivity and ensure that our overall compensation components and other benefits remain competitive, we regularly review our talent strategy and plan through workforce planning, total reward programmes and learning and development initiatives.



## 1,026

Number of Linkers in Hong Kong and Mainland China

## 18.6%

Staff Attrition Rate<sup>(1)</sup>

## 48.5%

Male

## 51.5%

Female

Staff Diversity

## Board Operations

Link's Board continues to evolve and strengthen, focusing on oversight and fiduciary matters and also guiding Link's long-term strategy, risk management, talent management and remuneration system for a sustainable business. The input and guidance from the Board, particularly in 2019/2020, have been key contributors in ensuring our business remains resilient. This includes:

- Financial flexibility: Making sure the business not only stays healthy, but also has the flexibility to expand should opportunities arise
- Risk management: Updating how we approach risk management in a continually changing and volatile environment
- Remuneration: Aligning with management and with the objectives of Vision 2025
- Independent Board evaluation: Engaged Russell Reynolds Associates to conduct an independent Board evaluation to ensure and highlight the effectiveness and contribution of our Board

Note:

(1) Data for Hong Kong only.

## Management Team Development

During the year we re-engineered our organisational structure to make us more scalable and agile. Most notable was the setup of a group and regional centre structure, comprising Hong Kong, Mainland China and Australia, in view of an increasingly diverse portfolio. We aim to align management practices across regions and enable business growth with:

- Strategic management meetings in Hong Kong and Mainland China
- Annual management retreat to create alignment, develop collaboration and reshape how we think and operate

## Building a Strong Talent Pipeline

Our focus is to hire for success – acquiring talent with the right mindset, experience and capabilities – to fuel Link’s high-performing culture and organisational growth. We had expanded our C-suite and leadership bandwidth and set up strategic groups and regional centres in February 2020 to support business expansion. We improved our staff experience with a revamped employee onboarding process. We also continued to build our young talent pipeline as an integral part of our people strategy.

## Retaining Key Talent

Retaining top performers is crucial to Link’s continued success as they contribute to Link’s bottom line. We re-modelled our performance framework to strengthen alignment between individual job performance and business objectives to foster a high performance culture with a clear purpose.

## Cultivating Lifelong Learning Environment

LinkEDGE, a revamped learning management system, was launched in the third quarter of 2019 to provide “anytime, anywhere” digital learning experience. Leveraging technology to deliver 24/7 accessibility enables individual employees to learn at their own pace. They can take competency-based learning courses, as well as training on performance management and governance.

To enhance agility and resilience of the high performing teams, we launched several experiential learning series, amongst them mindfulness practices to front-line employees aiming to build awareness on self-efficacy to better manage the challenging business conditions and stress. To enhance the language proficiency of our colleagues, Mandarin Corner was launched in the first quarter of 2020. Through individual one-on-one virtual meeting session, customised course content was provided by our mandarin tutor to address our colleagues’ varying proficiency level.

## Strengthening Workplace Agility

The unprecedented circumstances arising from social incidents and COVID-19 have propelled us to accelerate workplace agility. Flexible work arrangements including flexible hours, remote access technology and contingent policies were implemented. We also devised a precautionary protocol to ensure business continuity, workplace safety and employee wellness. We initiated travel and health declaration protocol ahead of government advice, as the health and safety of Link’s employees is our top priority.

The 24/7 employee assistance hotline was made available to our employees and their immediate family members, providing professional counselling support for better mental health.

We conducted an internal pulse check survey to gauge the effectiveness of these emergency measures and to solicit feedback on additional areas for improvement. Over 95% of our staff are satisfied with the measures in place.

## Maintaining Employee Engagement

It is paramount to keep our employees safe, engaged and motivated at all times, particularly in a challenging year as 2019/2020. Linker’s Panel, our employee committee, has been instrumental in gathering regular employee feedback and brainstorming collectively on how we could better support and engage our employees. The panel has been steering topics such as wellness, serving the communities, townhall meetings and new sports clubs.

## Looking Ahead

2019/2020 was a volatile and challenging year. We navigated the social incidents and COVID-19 outbreak, and emerged more agile and resilient than ever. Our teamwork and speed to respond on multiple occasions showcased our commitment to excellence and capability in execution. We will remain focused on executing our people strategy, and by doing so to become an Employer of Choice.

# VISIONARY CREATIVITY

Link's approach to visionary creativity manifests itself in three ways. Firstly, as new products or programmes such as Park & Dine and Link Together Initiatives. Secondly, from realising additional value from our existing assets through innovation and improvements such as fresh market revamping. And finally, by challenging ourselves to identify with future trends and be a leader in their developments. The success of visionary creativity lies in having a strong corporate culture where each Linker understands and knows our business and is prepared to adapt to new challenges.



**-1.7% | -19.1%**

Link

Overall

**Tenant Sales Growth  
in Hong Kong**

**93**

Customer  
Satisfaction Score

**Customer Engagement**

**>1,100 tonnes**

Reduction of  
Organic Waste to Landfill

**Waste Management**



## Link Together Initiatives: Link Scholars Alumni

Established in 2015, the Link University Scholarship Programme has been supporting outstanding students who are attending universities in Hong Kong as the first in their families in three generations. We are immensely proud to have played a part in a defining moment in their young lives. The programme remains strong and will continue as Link's flagship community engagement initiative. In 2019/2020 we welcomed 190 new young minds into the scholarship programme. Since its inauguration in 2015, we have granted a total of 750 scholarships, with 127 students graduating this year.

The journey through academia can be a challenging one. To further support our scholars, we created Link Scholars Alumni network to bring our Link Scholars together so they can share experiences and support each other throughout their academic years and beyond. We also offered them opportunities to apply for our summer internship programme.

## Design Thinking: A tool to enable visionary creativity

To support our evolution towards a Business as Mutual work ethos, we have begun to implement design thinking principles to ignite innovative thinking and problem-solving. This approach balances intuition and creativity with logic and systematic reasoning to explore different scenarios our business may face. The design thinking process involves interdisciplinary teams to leverage on different skills and experiences to come up with robust solutions. We applied this thinking to our 2019/2020 corporate risk management review with positive results.

## Risk Management 360

We have evolved Link's enterprise risk management by integrating the "top down/bottom up" approach with internal and external input, to promote sustainable business practices and a risk sensitive culture so that we maximise business outcomes and minimise downside risks. Part of this improvement included transitioning from individual department risk exercises to an inclusive, inter-departmental scenario-based approach. This allows us to assess what risks and opportunities will arise in the event of specific scenarios so that we can implement holistic mitigation measures. We have identified a range of risks to our portfolio including supply chain management, food security and health and well-being.

## Facilities Management Information Technology (FMIT)

During the year we developed and launched a pilot FMIT programme to improve four aspects of property management: better budget control by reducing unplanned maintenance, inventory and asset management, tracking and reporting of work orders, and workflow improvement to standardise best practice.

Initial results have been promising. Early piloting at two properties has shown a nearly 30% improvement in response time for repair and maintenance work orders. We have also seen streamlining of crucial property management functions including site safety, housekeeping and security. We are excited to roll this solution out to the entire portfolio in the coming months.

## Thought Leadership

The impact of climate change remains one of our top priorities that we are committed to managing, and championing publicly. We have been leading the industry through our participation in a United Nations pilot to develop a Task Force on Climate-related Financial Disclosures compliant methodology for the real estate sector. We worked with 25 peer real estate companies and investors to develop a model that estimates the financial impact of climate change on property portfolios. The result of this novel and groundbreaking project provides businesses with a quick, easy to understand assessment of how climate change may impact real assets.

## Connecting Stakeholders

In the face of social incidents during the reported period, Link has been proactively assisting tenants whose operations were disrupted. We have stepped up property management, monitored developments closely and ensured constant communication with our tenants and contractors, with an aim to minimise the adverse impact on both tenants and shoppers.

COVID-19 hit Hong Kong in January 2020 which has turned the lives of many people upside down. Link has been supporting tenants' business operations and shoppers' daily necessity needs by stepping up cleaning to ensure a safe and hygienic environment. In addition, we have offered support to the shopping centre tenants mostly affected by COVID-19 and school bus patrons of our car parks. During this process, we also assured local community leaders and other relevant stakeholders by keeping them informed of our plans and actions.

- First foray outside of Greater China — acquisition of 100 Market Street in Sydney
- A rare opportunity for stable quality income
- Shored up additional cash reserves and secured financial flexibility to fuel future growth
- Completed seven accretive asset enhancement projects
- Transformed Sheung Tak Plaza into TKO Spot, a revamped shopping centre for healthy living and wellness
- Upgraded four fresh markets with Food Lane concept to draw foot traffic

## Portfolio Growth



# VISION 2025 IN ACTION

Since the launch of Vision 2025 in March 2019, we are seeing the three pillars of Portfolio Growth, Culture of Excellence and Visionary Creativity taking root across the organisation. We believe our well-balanced portfolio, empowered by organic and inorganic growth drivers, is well positioned for the consistent long-term growth. Asset management, portfolio management and capital management will continue to be our strengths that serve as solid building blocks for our business to grow.





# Culture of Excellence

- Set up global and regional headquarters
- Re-designed C-suite structure to expand management bandwidth
- Shaped leadership & Linker's work behaviour via active communication
- Promoted agile leadership and resilient workforce to manage unprecedented events
- Customised development and coaching experience for future leaders



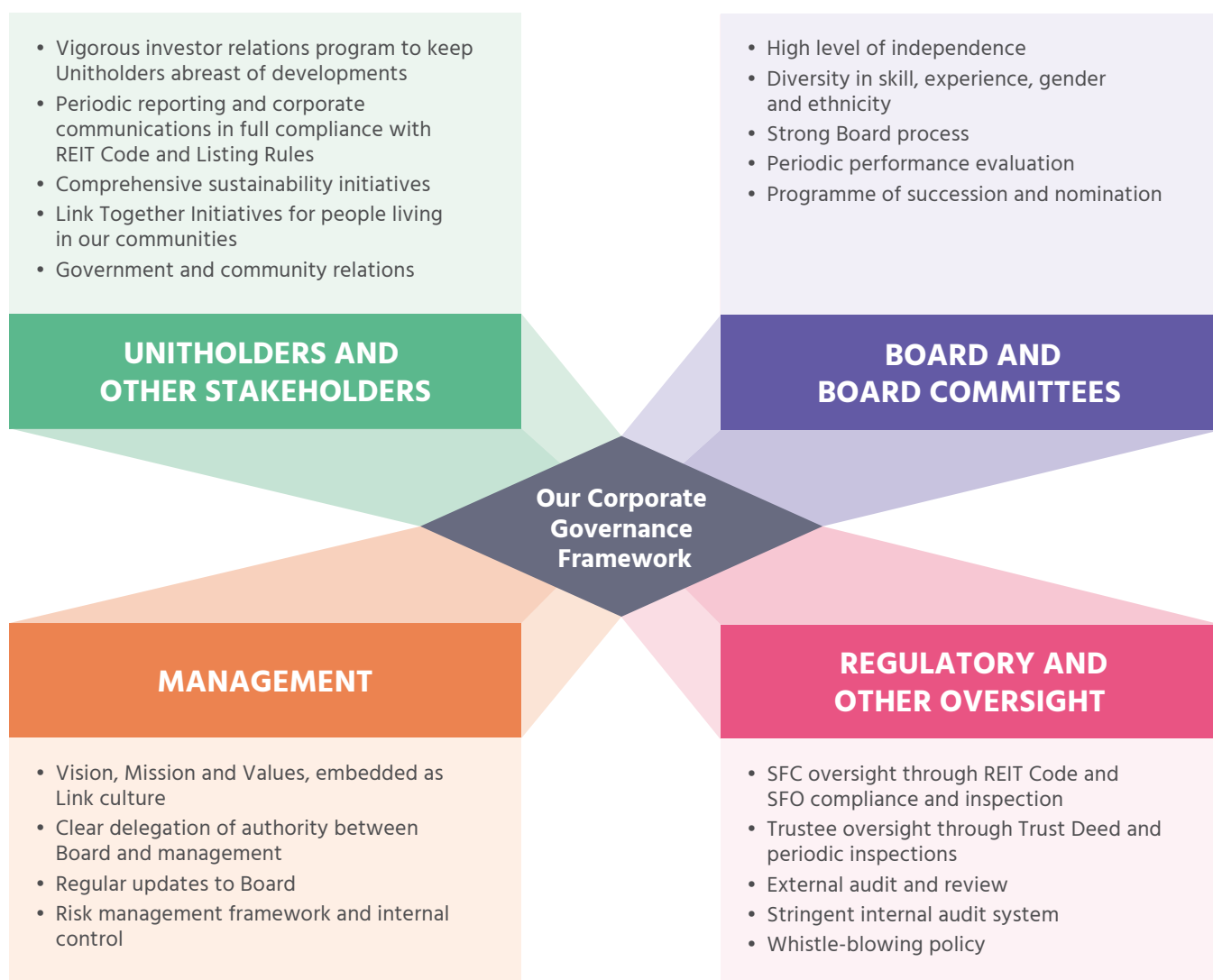
# Visionary Creativity

- Realising our vision to build a thriving community via placemaking initiatives
- Use of FMIT technology to improve operational efficiency
- Active in TCFD implementation
- Leadership role in UNEP FI Working Group
- First in Hong Kong as a landlord to partner with blockchain company for rooftop solar panel installation

# Corporate Governance

## Our Corporate Governance Framework

Link believes responsible governance should transcend merely complying with regulatory requirements to become a value that is embedded within all that we do. Our corporate governance framework identifies the participants and key controls which interact to ensure that the Board and management run the business of Link in the long-term interests of our Unitholders whilst also meeting the expectations of our other stakeholders.

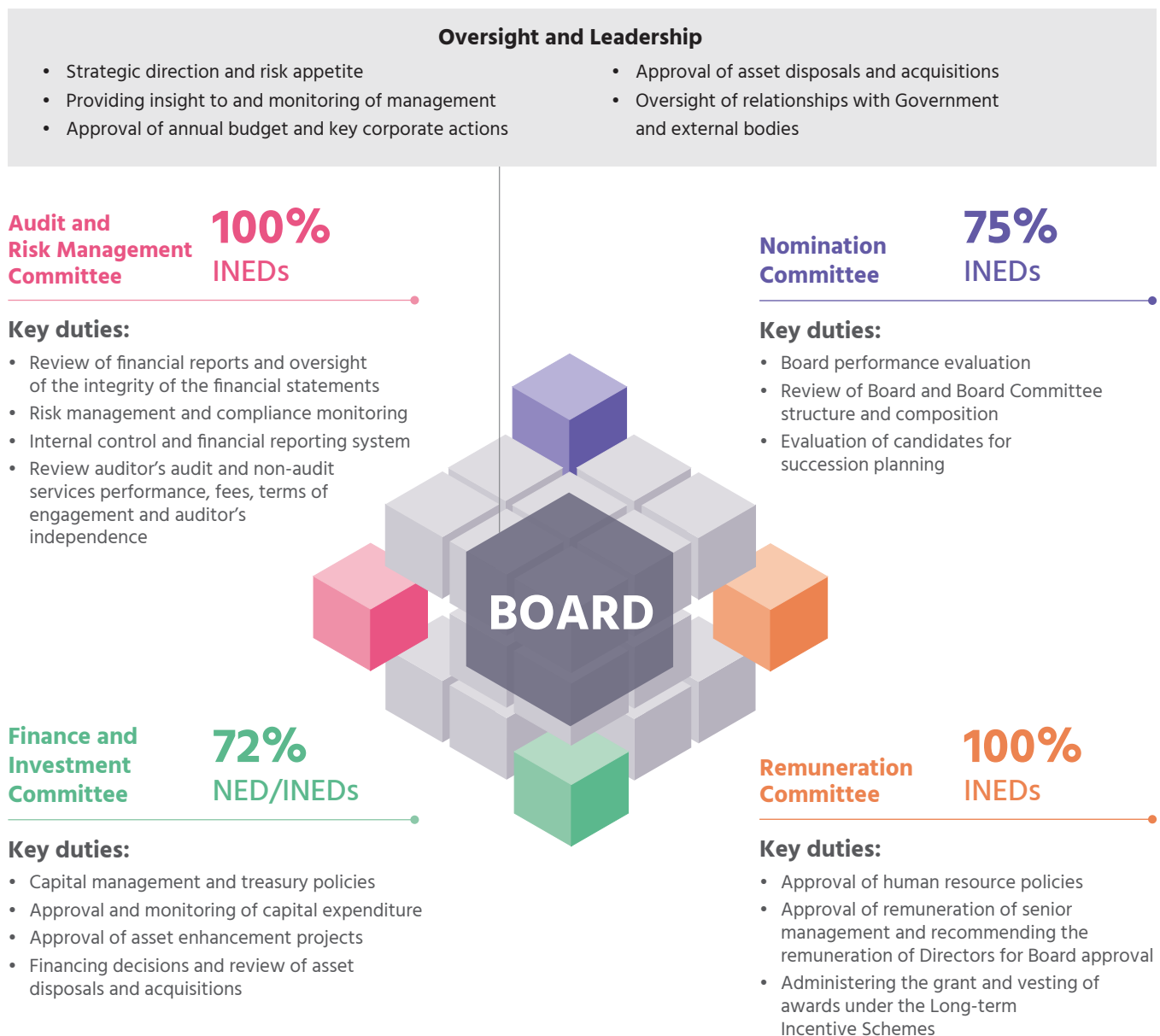


## The Board

The Board is central to the operation of Link's corporate governance framework which provides for effective oversight and control. Under the direction of the Board, Link has implemented comprehensive systems and procedures designed to promote Link's long-term success and deliver sustainable value to Unitholders and other stakeholders.

Led by the Chairman, the Board sets strategy and risk appetite, leads and provides insight to management, and monitors business progress against agreed business targets. This is achieved through:

- strong independence of the Board and the Board Committees
- clear division of duties between the Board and the Board Committees
- clear division of responsibility between the Board and management
- diversified skills, experiences, expertise, gender and ethnicity among Board members
- strong and transparent Board process





# Risk Management

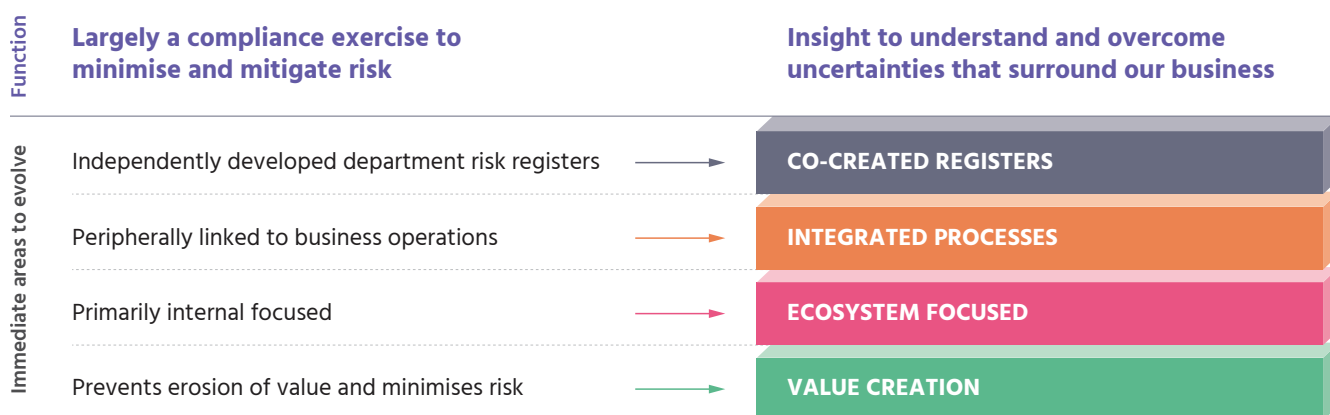
**We view risk management as a key enabler to achieve our strategic objectives. We are vigilant in continuously monitoring our business environment for threats and opportunities.**

Our business operates in a dynamic environment, influenced by economic cycles, driven by the needs of tenants and shoppers, evolving local preferences and values, and opportunities for growth. These external factors continually change the risks faced by our business, many of which are unavoidable and must be appropriately addressed if we are to achieve our strategic objectives. Social incidents and public health were the most prominent external factors in 2019/2020 and their impacts will likely linger for several years, together with climate change, environmental impacts and risks associated with adoption of new technology. Our early recognition and subsequent swift response to these challenges have helped in protecting our current tenants and shoppers' interests and have even helped us attracting new tenants into our portfolio. In addition, Link and the global real estate sector face a battery of emerging "new normal" challenges including ongoing social distancing, heightened focus on health and well-being, and food safety.

Link's risk management approach strives to identify risks before they impact our activities. Such early detection ensures we are in an ideal position to mitigate those risks, and to improve our business by capitalising on associated opportunities that may arise. Risk management is ultimately about ownership and control. For all our key risks, we have established key risk indicators (KRI) mitigating controls and identified appropriate ownership. Our assurance activities focus on constant assessment of the mitigating controls so we can continually gauge their effectiveness.

Our historically robust risk management approach evolved in 2019/2020. One-off, individual department interviews were replaced by a series of interdepartmental, scenario-based workshops. This integrated approach nurtures innovative thinking about possible future paths the business may face and encourages early development and ongoing monitoring and identification of the potential future challenges. This will be a very valuable tool to achieve Vision 2025 and our understanding of working with Business as Mutual.

## How Our Risk Management has Evolved

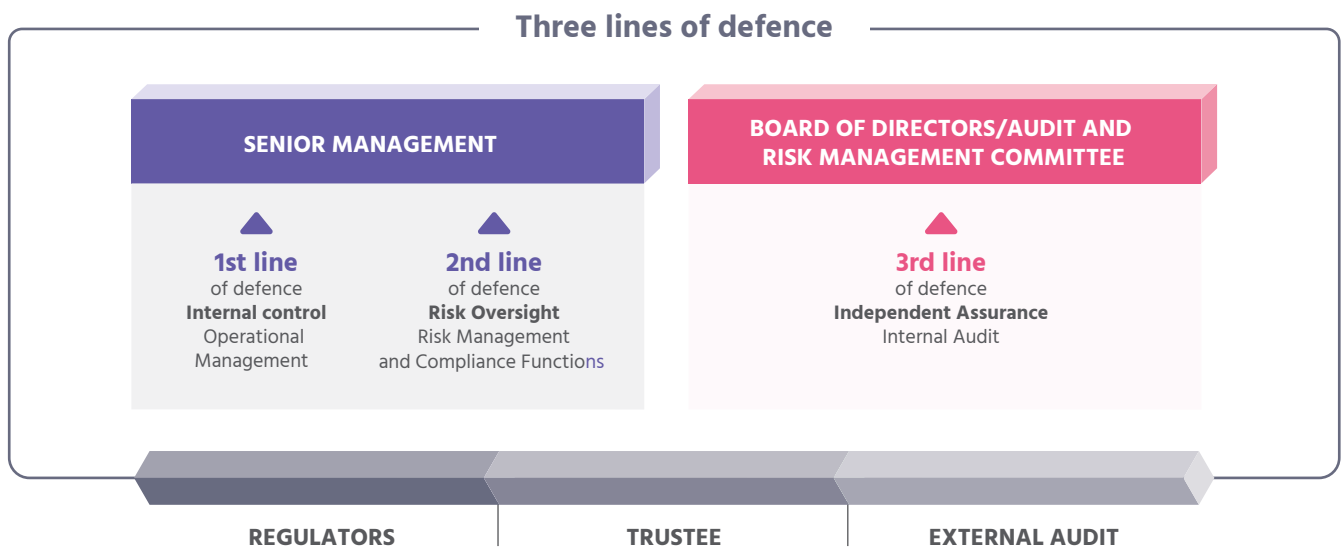


As part of our Business as Mutual approach, we recognise continuity of our business is dependent on the strength of our relationship with business partners. In this regard we engaged our business partners and solicit their feedback. We have merged the corporate risk register and sustainability materiality matrix, resulting in a comprehensive risk matrix that is aligned with the interests of our key business partners.

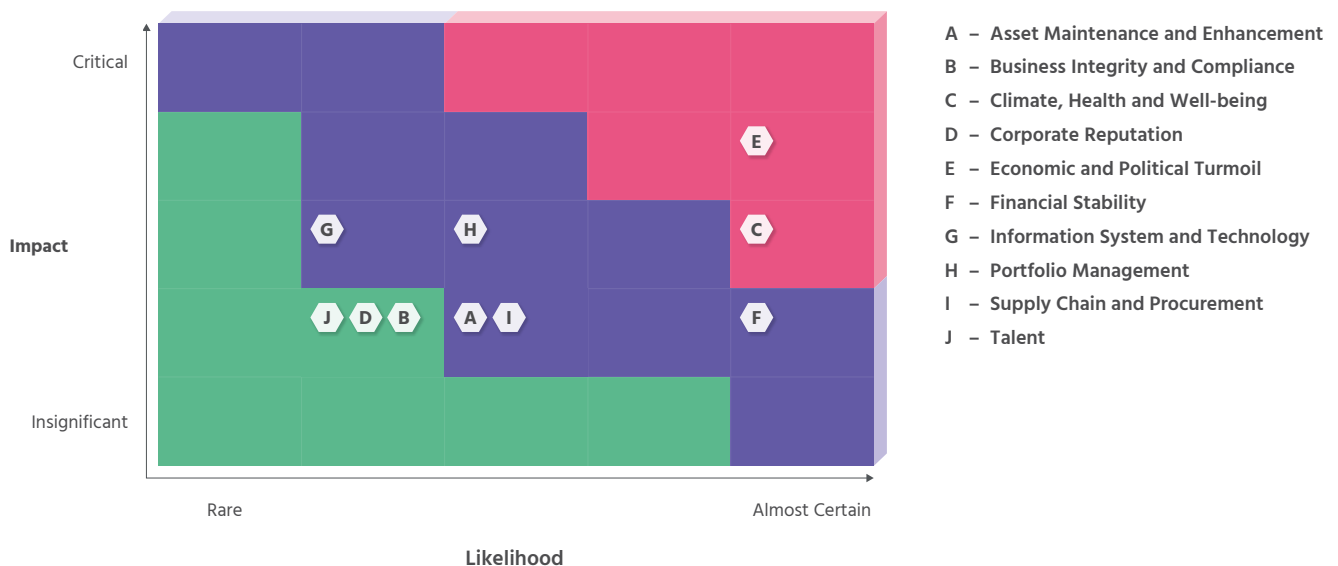
### Our Appetite for Risk

The Board's appetite for risk is a statement of the degree of risk the Group is prepared to accept in order to achieve Vision 2025. The statement reflects the involvement the Board takes in matters of risk and the shared understanding of the risk management practices operated and their degree of effectiveness.

Link is open to taking risks, providing those risks align with, and help us to achieve, our strategic objectives in a responsible way and within agreed parameters. Link will, wherever possible, remove risks completely that impede achieving our strategic objectives. If avoidance is impossible, Link will seek to mitigate risk by investing in effective controls, or by sharing risks with a third party. These controls are managed and monitored to give assurance that the risk level is in accordance with the parameters set by the Board. Our overriding principle of care remains integral to achieving Vision 2025. We continually review the risks that affect our business to ensure we maintain our responsibilities to our many stakeholders.








### Residual Risk Heat Map










## Link's Principal Risks

 Financial
  Placemaking
  Innovation
  Talent
  Relationship
  Environmental

Classification	Principal risks	Risk descriptions	Key mitigating measures
<b>Operational Risk</b>	<b>Asset Maintenance and Enhancement</b> 	Inadequate maintenance over Link's existing properties or monitoring on development/asset enhancement projects may have a material adverse impact to Link's return on investment.	<ul style="list-style-type: none"> <li>Continuous monitoring of properties and project status/progress</li> <li>Engage experienced business partners or consultants to work on projects</li> </ul>
<b>Compliance and Governance</b>	<b>Business Integrity and Compliance</b> 	Significant time and resources may be required to cope with internal policies and procedures, latest legal and/or regulatory changes so as to prevent any fraud, non-compliance and unlawful activities.	<ul style="list-style-type: none"> <li>Trainings on regulatory requirements for relevant staff</li> <li>Legal advices to be sought from in-house legal counsel or external legal consultant when necessary</li> </ul>
<b>External Force</b>	<b>Climate, Health and Well-being</b> 	Inadequate planning, monitoring and handling of crisis from natural catastrophes, spread of contagious diseases or other unanticipated health and safety incidents lead to business interruption of Link and its tenants.	<ul style="list-style-type: none"> <li>Regular review of crisis management and business resumption plans</li> <li>Dedicated team to monitor the safety condition at project sites</li> </ul>
<b>Strategic Risk</b>	<b>Corporate Reputation</b> 	Additional effort to cope with public criticisms, media scrutiny and other negative actions may harm Link's brand value, relationships with our stakeholders, investor confidence and shoppers' experiences.	<ul style="list-style-type: none"> <li>Dedicated teams to handle media/public enquiries</li> <li>On-going monitoring and understanding of stakeholders' view on Link</li> <li>Established policy for communication and branding</li> </ul>
<b>External Force</b>	<b>Economic and Political Turmoil</b> 	Macroeconomic and financial volatilities as well as change of political landscape create difficulties or uncertainties towards the operating environment of Link and its tenants.	<ul style="list-style-type: none"> <li>Continuous monitoring of key economic indicators and political agenda</li> <li>Continuous focus on non-discretionary retail market segment</li> <li>Dedicated asset managers overseeing performance of assets in Link's portfolio</li> <li>Maintaining direct and open dialogue with the community to enhance transparency</li> </ul>

Classification	Principal risks	Risk descriptions	Key mitigating measures
<b>Strategic Risk</b>	<b>Financial Stability</b> 	Existing strategies on leasing activities, capital management and cost control may not allow Link to achieve financial targets amid slumping global economy and challenging business operating environment.	<ul style="list-style-type: none"> <li>Finance and Investment Committee oversees key financial matters</li> <li>Apply prudent capital management strategy and maintain diversified sources of financing</li> <li>Tenant and trade mix strategies to cope with the needs of individual assets</li> <li>Direct and on-going engagement with existing and potential tenants</li> </ul>
<b>Operational Risk</b>	<b>Information System and Technology</b> 	Link may not be sufficiently prepared to support the growing business scale, prevent/ detect and respond to the ever-changing cyber-threats which may cause business interruption and/ or leakage of confidential information.	<ul style="list-style-type: none"> <li>Regular review and update of IT infrastructure</li> <li>Periodic cybersecurity awareness trainings and exercises</li> <li>Established policy or guidelines for the uses of information technology</li> </ul>
<b>Strategic Risk</b>	<b>Portfolio Management</b> 	Fundamental assumptions and processes that underpin investment and disposal strategies are undermined which hinder Link's ability to build a productive portfolio.	<ul style="list-style-type: none"> <li>Regular evaluation of investment strategies and decisions</li> <li>Established policies for acquired businesses to align operational practices</li> </ul>
<b>Operational Risk</b>	<b>Supply Chain and Procurement</b> 	Unanticipated service/ good delivery lead time and inadequate suppliers' selection may hinder the operation and service quality of Link.	<ul style="list-style-type: none"> <li>Established policy or guidelines for procurement</li> <li>Monitoring of vendors' performance</li> </ul>
<b>Strategic Risk</b>	<b>Talent</b> 	Link's talent and organisation development strategy may not be able to retain key management staff or sufficiently contribute to talent diversity affecting our ability to maintain a high performing workforce for sustainable business development.	<ul style="list-style-type: none"> <li>Remuneration Committee oversees key talent and remuneration matters</li> <li>Dedicated team responsible for organisation development</li> </ul>

# Investor Information

## Listing of the Units

Link's Units are listed on the Main Board of the Stock Exchange (stock code: 823) in board lot size of 100 Units. The Board has announced on 13 November 2019 the change of board lot size of the Units from 500 Units to 100 Units with effect from 9:00 a.m. on Thursday, 2 January 2020.

There were 2,057,898,386 Units in issue as at 31 March 2020. Further details of Units in issue are set out in Note 27 to the consolidated financial statements.

## Financial Calendar

Final results announcement for the financial year ended 31 March 2020	1 June 2020
Ex-final distribution date	12 June 2020
Closure of register of Unitholders (for final distribution) <sup>(1)</sup>	16 June to 18 June 2020 (both days inclusive)
Record date for final distribution	18 June 2020
Announcement of distribution reinvestment scheme	18 June 2020
Despatch of distribution reinvestment scheme circular and related documents	26 June 2020
Announcement of Unit price for scrip in lieu of a final cash distribution	7 July 2020
Final date for scrip election <sup>(2)</sup>	15 July 2020 not later than 4:30 p.m.
Closure of register of Unitholders (for the 2020 AGM) <sup>(3)</sup>	17 July to 22 July 2020 (both days inclusive)
2020 AGM	22 July 2020
Final distribution payment date	30 July 2020
Interim results announcement for the six months ending 30 September 2020	November 2020

Notes:

- (1) In order to qualify for the final distribution of HK 145.72 cents per Unit for the year ended 31 March 2020, Unitholders should ensure that all transfer documents accompanied by the relevant unit certificates must be lodged with Link's unit registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 15 June 2020.
- (2) A distribution reinvestment scheme is made available to eligible Unitholders who may elect to receive the final distribution for the year ended 31 March 2020 wholly in cash or wholly in new Units or a combination of both. For those Unitholders electing for scrip, **the relevant election form must be returned to and reach Link's unit registrar, Computershare Hong Kong Investor Services Limited (at the address above) not later than 4:30 p.m. on 15 July 2020. Unitholders should note that any election form arrived/received after the aforesaid deadline will be taken as invalid.**
- (3) In order for Unitholders to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant unit certificates must be lodged with Link's unit registrar, Computershare Hong Kong Investor Services Limited (at the address above), for registration not later than 4:30 p.m. on 16 July 2020.

Financial reports, announcements, circulars, notices, other corporate communications, press releases and other investor information of Link are available online at Link's corporate website: [Linkreit.com](http://Linkreit.com). To promote environmental protection, we recommend you to view our publications online at our corporate website instead of using printed copies.

## Investor Relations Contact

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Email: [ir@linkreit.com](mailto:ir@linkreit.com)

## Index Inclusion

Link is a component of the following selected indices:

Dow Jones Sustainability Asia Pacific Index

FTSE4Good Index Series

FTSE Global Equity Index Series

FTSE Global Minimum Variance Index Series

FTSE EPRA<sup>(1)</sup> NAREIT<sup>(2)</sup> Index Series

FTSE RAFI Index Series

GPR<sup>(3)</sup> 250 (World) Index

GPR<sup>(3)</sup> 250 Asia Index

GPR<sup>(3)</sup> 250 Asia Pacific Index

GPR<sup>(3)</sup> 250 Hong Kong Index

GPR<sup>(3)</sup> 250 REIT (World) Index

GPR<sup>(3)</sup> 250 REIT Asia Index

GPR<sup>(3)</sup> 250 REIT Asia Pacific Index

GPR<sup>(3)</sup> 250 REIT Hong Kong Index

GPR<sup>(3)</sup> General (World) Index

GPR<sup>(3)</sup> General Asia Index

GPR<sup>(3)</sup> General Hong Kong Index

GPR<sup>(3)</sup> General Quoted (World) Index

GPR<sup>(3)</sup> General Quoted Asia Index

GPR<sup>(3)</sup> General Quoted Hong Kong Index

GPR<sup>(3)</sup> Global 100 Index

GPR<sup>(3)</sup> IPCM LFFS Sustainable GRES Index

Hang Seng Index

Hang Seng REIT Index

Hang Seng Composite Index

Hang Seng HK 35

Hang Seng Corporate Sustainability Index

MSCI<sup>(4)</sup> All Country World Index

MSCI<sup>(4)</sup> All Country Asia ex-Japan Index

MSCI<sup>(4)</sup> World Index

MSCI<sup>(4)</sup> Hong Kong Index

MSCI<sup>(4)</sup> AC Asia Pacific Real Estate Index

MSCI<sup>(4)</sup> AC Asia ex Japan IMI REITS Index

GPR<sup>(3)</sup>/APREA<sup>(5)</sup> Composite Index

GPR<sup>(3)</sup>/APREA<sup>(5)</sup> Composite Hong Kong Index

GPR<sup>(3)</sup>/APREA<sup>(5)</sup> Composite REIT Index

GPR<sup>(3)</sup>/APREA<sup>(5)</sup> Composite REIT Hong Kong Index

GPR<sup>(3)</sup>/APREA<sup>(5)</sup> Investable 100 Index

GPR<sup>(3)</sup>/APREA<sup>(5)</sup> Investable 100 Hong Kong Index

GPR<sup>(3)</sup>/APREA<sup>(5)</sup> Investable REIT 100 Index

### Notes:

(1) European Public Real Estate Association

(2) National Association of Real Estate Investment Trusts

(3) Global Property Research

(4) Morgan Stanley Capital International

(5) Asia Pacific Real Estate Association

# Definitions and Glossary

<b>2007 LTI Plan</b>	the long-term incentive plan of Link adopted by Unitholders on 23 July 2007 and expired on 22 July 2017
<b>2017 LTI Scheme</b>	the long-term incentive scheme of Link adopted by the Board on 10 July 2017
<b>2019 AGM</b>	the annual general meeting of Unitholders held on 24 July 2019
<b>2020 AGM</b>	the annual general meeting of Unitholders scheduled to be held on 22 July 2020
<b>Articles</b>	articles of association of the Manager
<b>AUM</b>	asset under management
<b>average monthly unit rent</b>	the average base rent plus management fee per month psf of leased area
<b>Award(s)</b>	Restricted Unit Award(s), or Conditional Cash Award(s), or a combination of both granted under the 2017 LTI Scheme
<b>base rent</b>	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
<b>Board or Board of Directors</b>	board of Directors of the Manager
<b>Chairman</b>	Chairman of the Board (unless the context requires otherwise)
<b>Board Committees</b>	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 “ <b>Board Committee</b> ” refers to any one of them
<b>CEO</b>	Chief Executive Officer of the Manager
<b>CFO</b>	Chief Financial Officer of the Manager
<b>China or Mainland China or PRC</b>	The People’s Republic of China and if the context requires, exclude Hong Kong
<b>CLO</b>	Chief Legal Officer of the Manager
<b>Compliance Manual</b>	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
<b>Conditional Cash Award(s)</b>	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)
<b>CSO</b>	Chief Strategy Officer of the Manager
<b>Director(s)</b>	director(s) of the Manager
<b>DPU</b>	distribution per Unit in respect of the total distributable amount of Link for a financial year/period
<b>ED(s)</b>	Executive Director(s) of the Manager (unless the context requires otherwise)
<b>ESG</b>	environmental, social and governance
<b>EUPP</b>	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

<b>GAV</b>	gross asset value (and as calculated in the manner set out in the Trust Deed)
<b>GAV Cap</b>	10% of Link's gross asset value (and as calculated in the manner set out in the Trust Deed) as a cap to property development activities of Link under the REIT Code
<b>Group</b>	Link and its subsidiaries (unless the context requires otherwise)
<b>Hong Kong</b> or <b>HKSAR</b>	Hong Kong Special Administrative Region of the PRC
<b>Hong Kong Stock Exchange</b> or <b>Stock Exchange</b> or <b>SEHK</b>	The Stock Exchange of Hong Kong Limited
<b>INED(s)</b>	Independent Non-Executive Director(s) of the Manager (unless the context requires otherwise)
<b>KPI(s)</b>	Key Performance Indicator(s)
<b>KRI</b>	Key Risk Indicators
<b>lease</b>	a lease or a tenancy agreement (both of which grant a possessory interest) or a licence (which merely constitutes an authority to do something) in respect of premises at the properties granted to a tenant
<b>like-for-like</b>	excluding any properties acquired, divested and/or newly operational (as applicable) during the periods under analysis
<b>Link</b> or <b>Link REIT</b>	Link Real Estate Investment Trust
<b>Link Corporate Governance Policy</b>	the corporate governance policy set out in the Compliance Manual
<b>Link Securities Dealing Code</b>	the code governing dealings in securities of Link by Directors and senior management of the Manager
<b>Listing Rules</b>	Rules Governing the Listing of Securities on the Stock Exchange
<b>Listing Rules Corporate Governance Code</b>	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
<b>Long-term Incentive Schemes</b>	2007 LTI Plan and 2017 LTI Scheme, and " <b>Long-term Incentive Scheme</b> " is any one of them
<b>Manager</b>	Link Asset Management Limited, which is the manager of Link
<b>market capitalisation</b>	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
<b>Maximum Cap</b>	25% of Link's GAV as a cap to the total sum of: (i) Link's aggregate development costs (has the meaning ascribed to it in the Trust Deed); and (ii) the combined value of the Relevant Investments together with other non-real estate assets of Link calculated in accordance with the REIT Code
<b>MTN</b>	note(s) 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
<b>NED</b>	Non-Executive Director of the Manager (unless the context requires otherwise)
<b>NGO(s)</b>	Non-governmental organisation(s)

<b>NPI</b>	net property income, being total revenue less direct property related expenses
<b>occupancy rate</b>	the aggregated leased area as a percentage of total leasable area
<b>Principal Valuer</b>	the Principal Valuer (as defined in the REIT Code) of Link, which is currently Colliers International (Hong Kong) Limited
<b>psf</b>	per square foot
<b>REIT(s)</b>	real estate investment trust(s)
<b>REIT Code</b>	Code on Real Estate Investment Trusts issued by the SFC
<b>Relevant Investments</b>	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
<b>Restricted Unit Award(s)</b>	conditional right to receive Units granted to a participant in accordance with the rules of the 2017 LTI Scheme and the relevant grant letter
<b>reversion rate</b>	the percentage change in psf average unit rent between old and new leases on the same unit
<b>RMB</b>	Renminbi, the lawful currency of the PRC
<b>SFC</b>	Securities and Futures Commission of Hong Kong
<b>SFO</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>SPV(s)</b>	special purpose vehicle(s) (within the meaning of the REIT Code and the Trust Deed)
<b>sq ft</b>	square feet
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
<b>tenant</b>	a lessee, a tenant or a licensee (as the case may be) under a lease
<b>total distributable amount</b>	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
<b>total distributable income</b>	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
<b>Trust Deed</b>	the trust deed dated 6 September 2005 between the Trustee and the Manager constituting Link, as amended and supplemented by 13 supplemental deeds
<b>Trustee</b>	trustee of Link, which is currently HSBC Institutional Trust Services (Asia) Limited
<b>turnover rent</b>	rent calculated and charged by reference to a pre-determined percentage of a tenant's gross sales turnover in excess of the base rent
<b>Unit(s)</b>	unit(s) of Link (unless the context requires otherwise)
<b>Unitholder(s)</b>	holder(s) of Unit(s) of Link
<b>yoy</b>	year-on-year



# Corporate Information

## Board of Directors of the Manager

### Chairman

Nicholas Charles ALLEN

*(also an Independent Non-Executive Director)*

### Executive Directors

George Kwok Lung HONGCHOY

*(Chief Executive Officer)*

NG Kok Siong<sup>(1)</sup>

*(Chief Financial Officer)*

Andy CHEUNG Lee Ming<sup>(2)</sup>

*(Chief Operating Officer)*

### Non-Executive Director

Ian Keith GRIFFITHS

### Independent Non-Executive Directors

Christopher John BROOKE

Ed CHAN Yiu Cheong

Blair Chilton PICKERELL

Poh Lee TAN

May Siew Boi TAN

Peter TSE Pak Wing

Nancy TSE Sau Ling

Elaine Carole YOUNG

## Company Secretary of the Manager

Kenneth Tai Lun WONG<sup>(3)(4)</sup>

Ricky CHAN Ming Tak<sup>(5)</sup>

## Responsible Officers of the Manager<sup>(6)</sup>

George Kwok Lung HONGCHOY

NG Kok Siong<sup>(7)</sup>

Eric YAU Siu Kei

Christine CHAN Suk Han

Andy CHEUNG Lee Ming<sup>(8)</sup>

## Authorised Representatives<sup>(9)</sup>

George Kwok Lung HONGCHOY<sup>(10)</sup>

Kenneth Tai Lun WONG<sup>(3)</sup>

Andy CHEUNG Lee Ming<sup>(2)</sup>

Ricky CHAN Ming Tak<sup>(5)</sup>

## Trustee

HSBC Institutional Trust Services (Asia) Limited

## Auditor

PricewaterhouseCoopers

## Principal Valuer

Colliers International (Hong Kong) Limited<sup>(11)</sup>

Jones Lang LaSalle Limited<sup>(12)</sup>

## 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 3004, 30/F.,

9 Queen's Road Central,

Hong Kong

## 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

## Media Enquiry Contact

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Telephone: (852) 2175 1800

Facsimile: (852) 2175 1938

Email: [mediarelations@linkreit.com](mailto:mediarelations@linkreit.com)

## Customer Service Contact

Hotline: (852) 2122 9000

## Websites

[Linkreit.com](http://Linkreit.com) (corporate website)

[Linkhk.com](http://Linkhk.com) (customer website)

## Mobile App



[Linkhk.com](http://Linkhk.com)

### Notes:

(1) Appointed on 1 February 2020

(2) Resigned on 2 October 2019

(3) Appointed on 28 August 2019

(4) email: [cosec@linkreit.com](mailto:cosec@linkreit.com)

(5) Resigned on 28 August 2019

(6) Required by the SFO

(7) Appointed on 18 November 2019

(8) Resigned on 20 December 2019

(9) Required by the Listing Rules

(10) Appointed on 2 October 2019

(11) Appointed on 17 November 2019

(12) Retired on 17 November 2019

Link Real Estate Investment Trust  
**Linkreit.com**

