



Expanding Business Model and Acquisition of Beijing EC Mall

24 March 2015



OUR BUSINESS MODEL

Building our Business Model on Sustainability Framework

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

Values

Managing and operating our business with

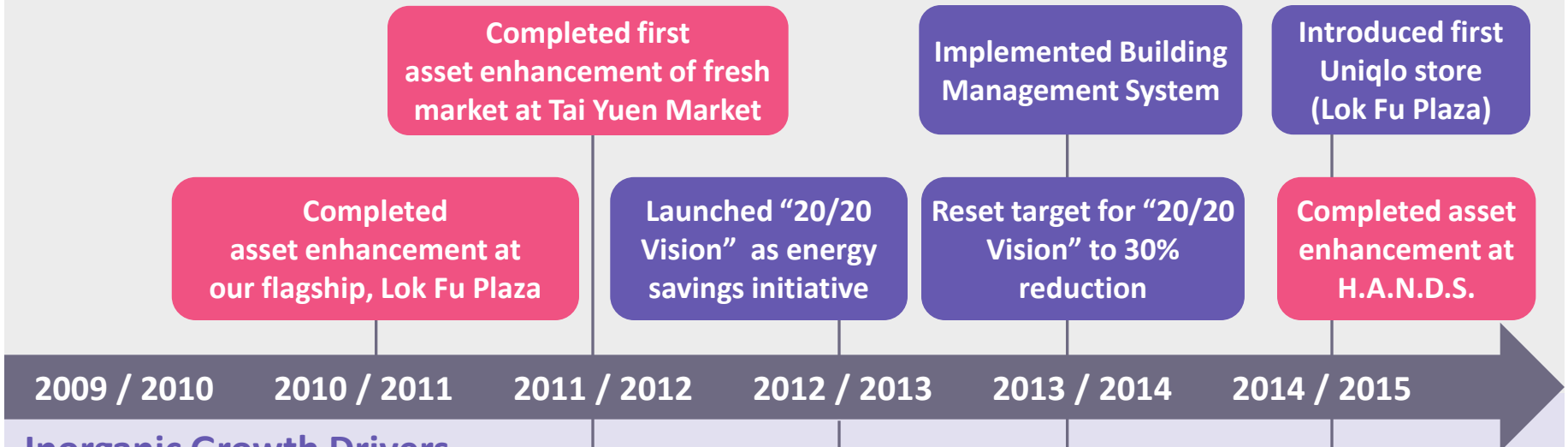
- Respect
- Excellence
- Integrity
- Teamwork



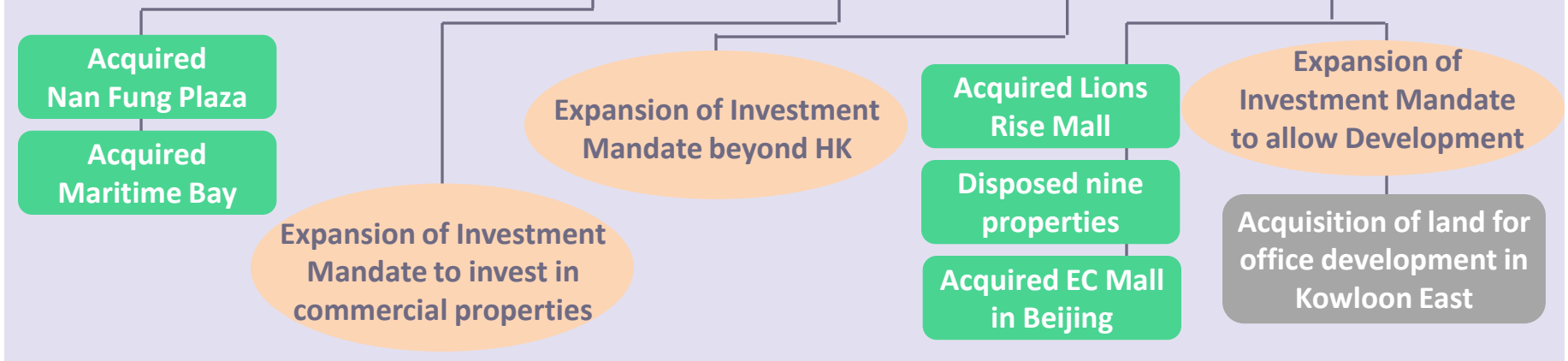
Expanding Business Model

Key milestones

Organic Growth Drivers



Inorganic Growth Drivers



The background features three abstract grey shapes: a horizontal bar on the left, a rounded shape on the top right, and a diagonal bar on the bottom left.

ACQUISITION OF BEIJING EC MALL

Asset Acquisition

Beijing EC Mall

Address	Jia No. 1, Danling Street, Zhongguancun (中关村), Haidian District, Beijing
Opening Date	2009
Gross Floor Area	Retail: B1- 6/F 55,423 sq.m. (94 tenancies) ⁽¹⁾ Car park: B2-B3 15,523 sq.m. (251 spaces)
Agreed Property Price	RMB 2,500 million
Deal Structure	Acquisition of offshore holding company
Target Deal Completion	1 April 2015



Note:

(1) Data as at 28 February 2015

Beijing Retail Market Growing in size



Massive growth in infrastructure, size of economy, and city complexity

Key retail locations in main trade zones are densely populated and have maintained high occupancy rates

Increasing size of retail sector:

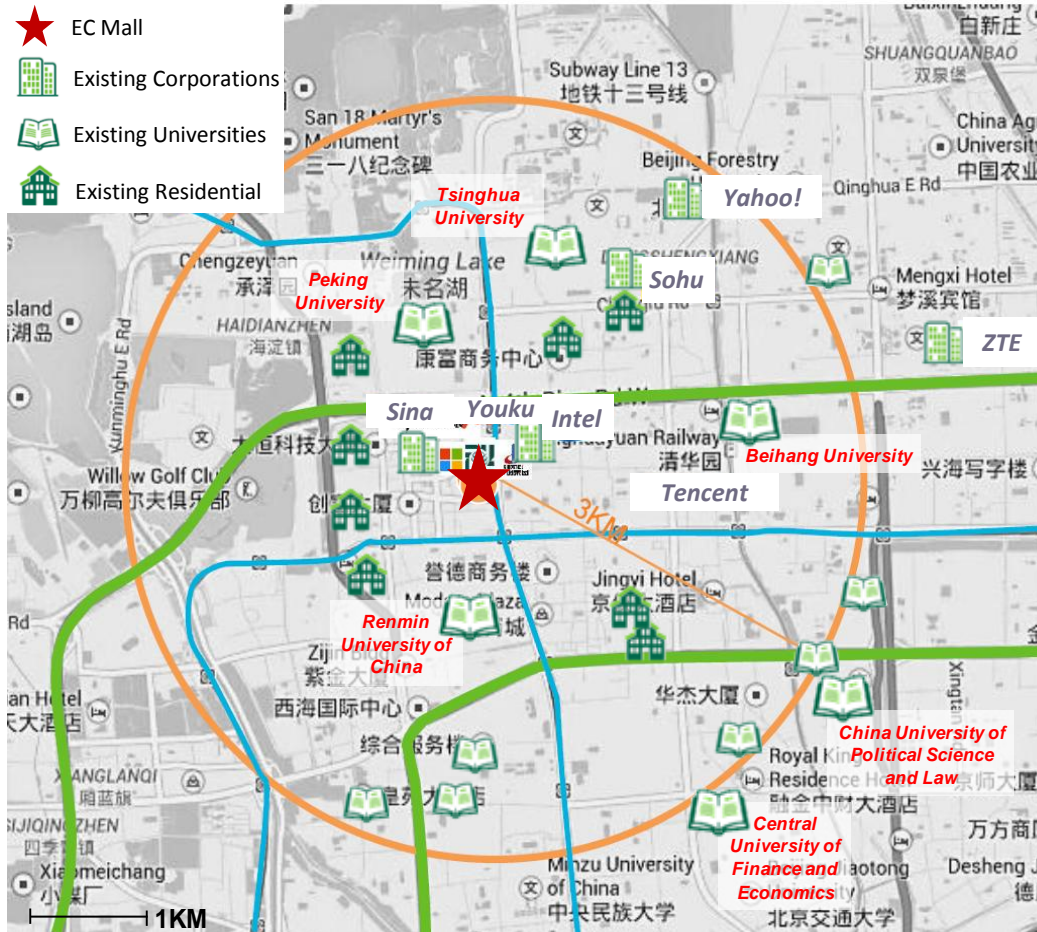
- Increasing consumer spending power
- International brands continue to invest in flagship locations as Beijing is one of the top 10 destinations for retailers globally
- Shifting from primarily fashion-based retail model to a more comprehensive retail model



Zhongguancun Trade Zone

Good location within the city of Beijing

Zhongguancun Trade Zone (1)



Note (1): Circle is 3km around EC Mall

Source: CBRE Market Research

Zhongguancun (中关村) is known as the “Silicon Valley of China”

- Widely known for its two superb industries: information technology and education, particularly universities
- The district is characterised by young professionals and middle class, as well as students of higher education
- Well connected by two metro lines
- Population in Haidian District:
Approx. 3.6 million
(including approx. 400,000 college students)

Acquisition of Beijing EC Mall

Investment rationale

Strategic location in high performing retail district in Beijing

- One of the five core trade zones of downtown Beijing
- Located at Haidian Huangzhuang Metro Station – interchange station of Metro Lines 4 and 10
- Well-positioned to capitalise on the growing spending power of the Zhongguancun trade zone

Mature mall with proven performance and potential for repositioning

- Current occupancy of approximately 99% as at 28 February 2015
- Approximately 1/3 of total leasable area will expire in 2015 and 2016
- Tenant remix potential to enhance retail offerings

Stable income with attractive outlook

- Immediate contribution to earnings
- Dynamic mix of mid-market positioned retail tenants with international names

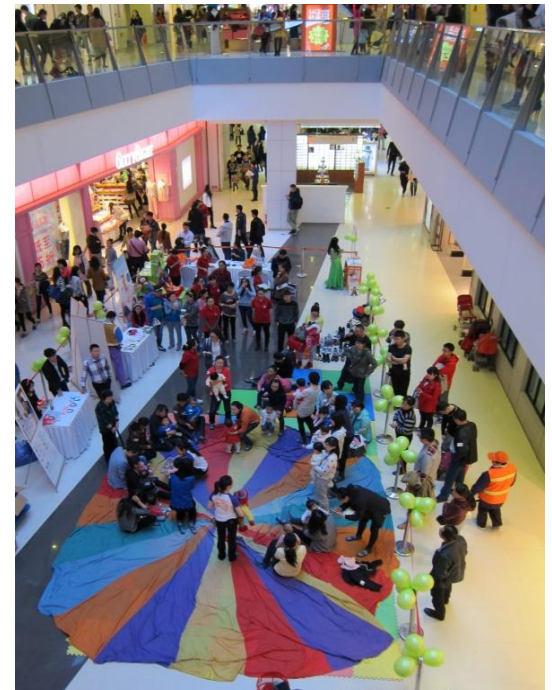
Established asset management team

- Experienced local team to manage the property

Beijing EC Mall

Modern design focusing on premium mass market

領匯
The Link

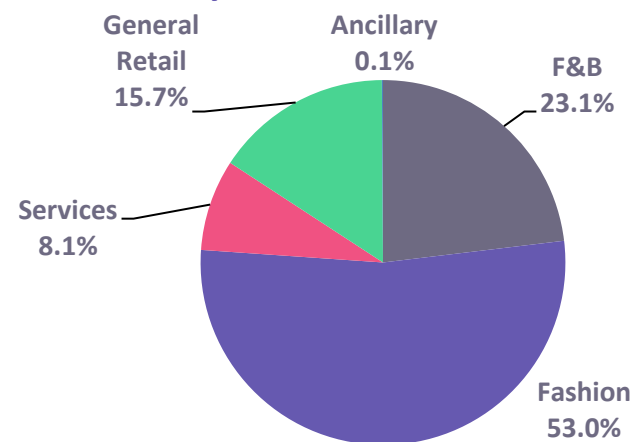


Beijing EC Mall

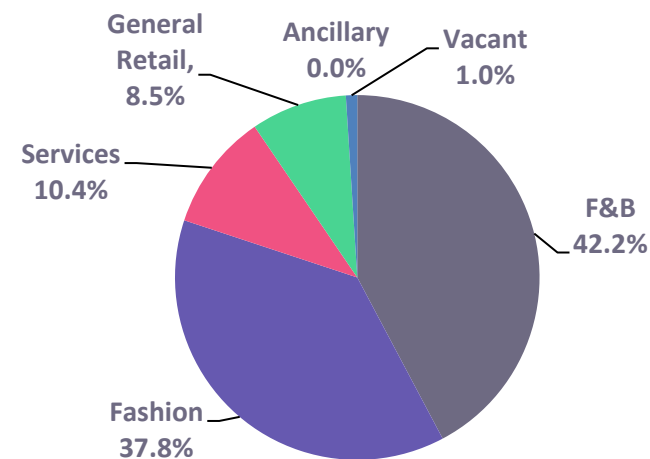
Diversity of trades complementary to each other



Trade Mix by Base Rent ⁽¹⁾



Trade Mix by Net Lettable Area ⁽¹⁾



Note:

(1) Data as at 28 February 2015

Beijing EC Mall

Selected Tenants



Acquisition of Beijing EC Mall

Financial impact

Consideration

	RMB (million)	USD (million)
Agreed Property Price	2,500	408
Net Debt of Target Group ⁽¹⁾	(643)	(105)
Consideration ⁽²⁾	1,857	303

Financing

- Acquisition to be funded by cash and/or debt facilities

Earnings contribution

- Estimated annualised income of RMB157 million p.a. ⁽³⁾
- Well spread expiry profile and growth to come from rental reversion

Impact on gearing

- Gearing as at 30 September 2014 11.0%
- Pro forma gearing level as at 30 September 2014 ⁽⁴⁾ 15.3%

Notes:

(1) Including the outstanding mortgage loan of RMB641 million as at 31 December 2014.

(2) Subject to adjustment at completion.

(3) Based on the rental and other income (including management fees) of the property for the month of February 2015 of approximately RMB13.1 million.

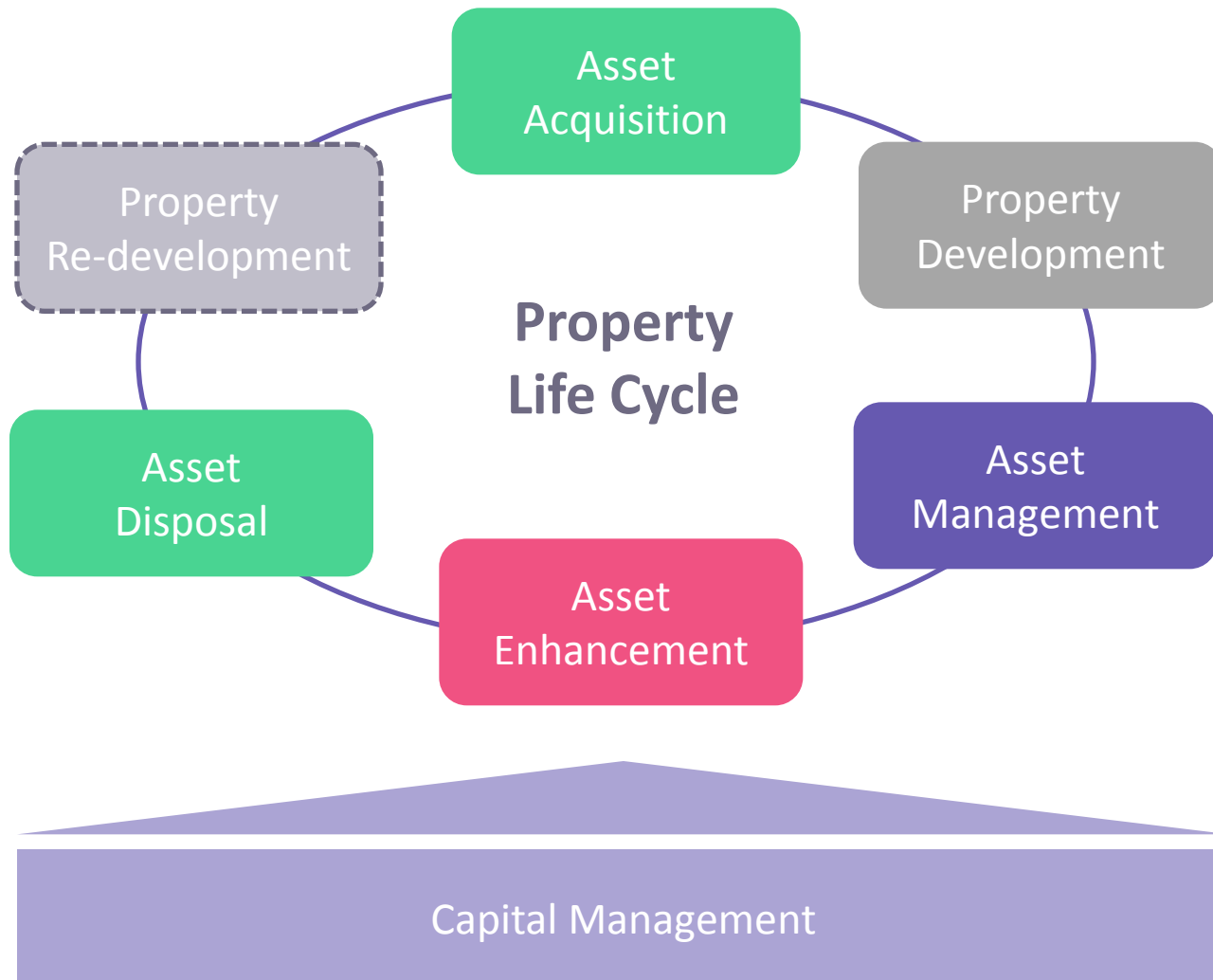
(4) After adjusting for the impact of the interim distribution paid on 9 December 2014, the disposal of five properties as announced and completed, respectively, on 29 September 2014 and 1 December 2014, and the acquisition of a piece of land in Kowloon, Hong Kong through a joint venture as announced on 27 January 2015.



EXPANSION OF BUSINESS MODEL

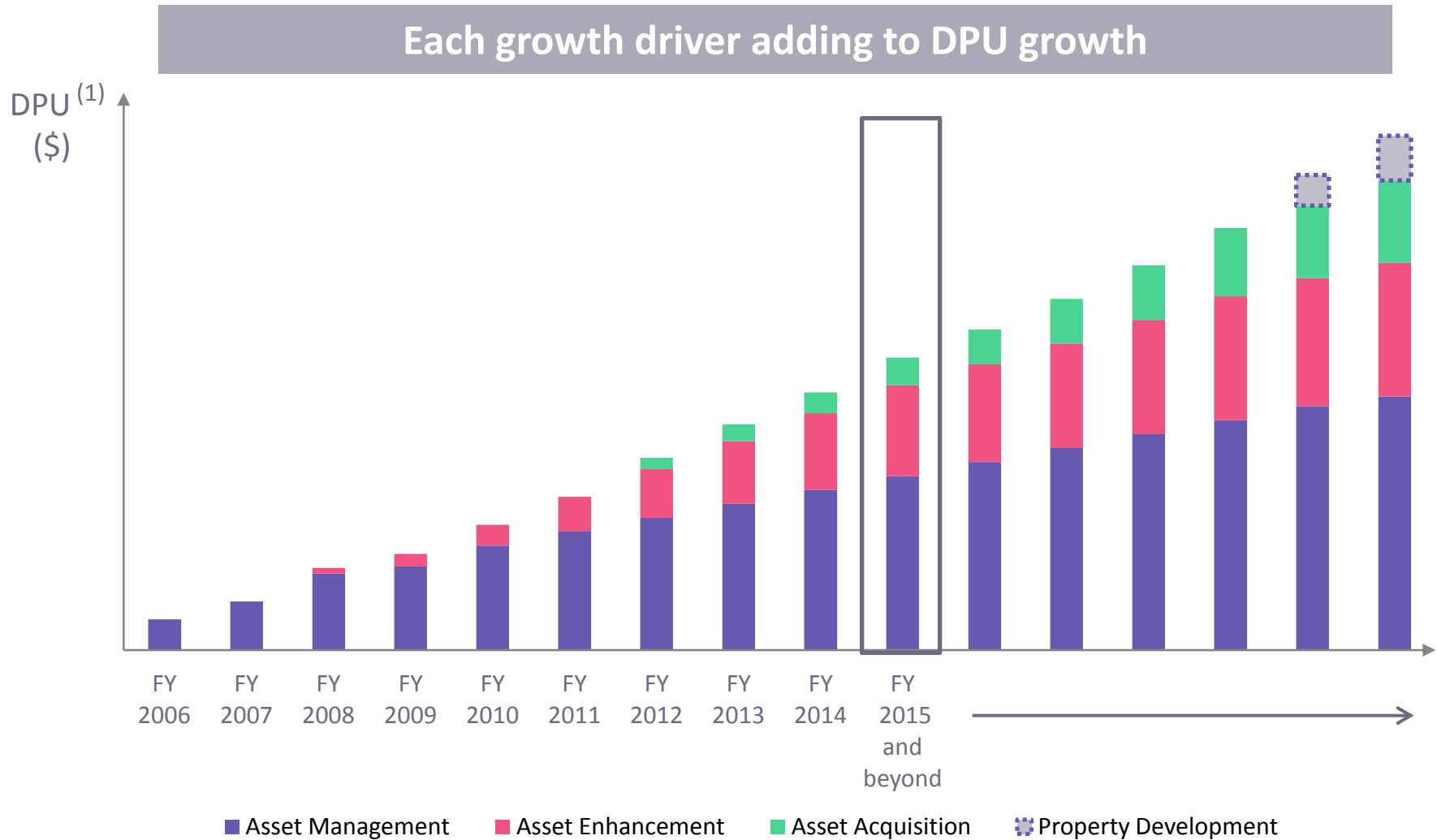
Evolution of Business Model

Extending into new phases of property life cycle



Expanded Investment Strategy

Securing long-term growth trajectory

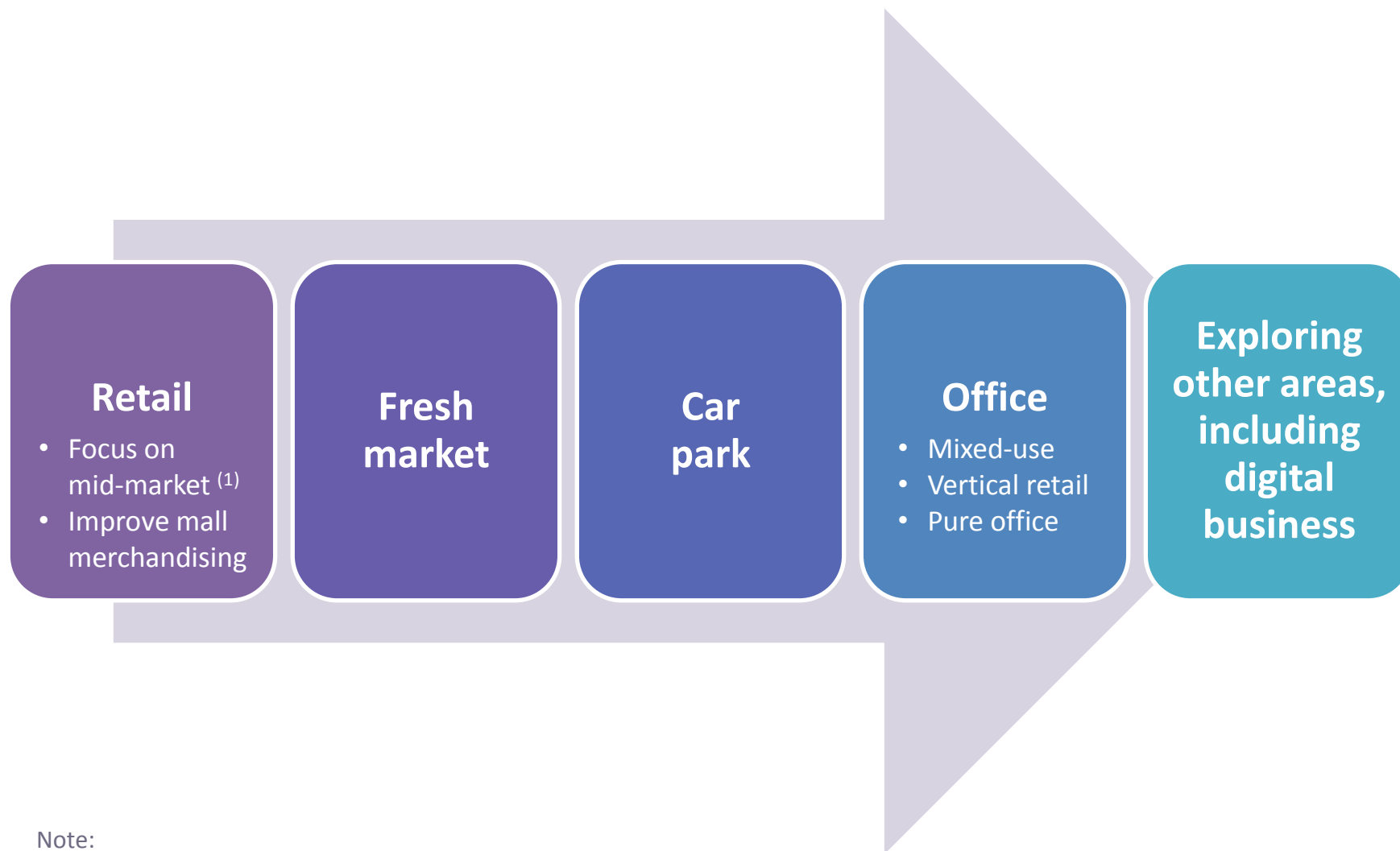


Note:

(1) For illustration purpose only, not to scale

Our Portfolio

Multiple business segments to create more value



Note:

(1) Plus mass market in Hong Kong



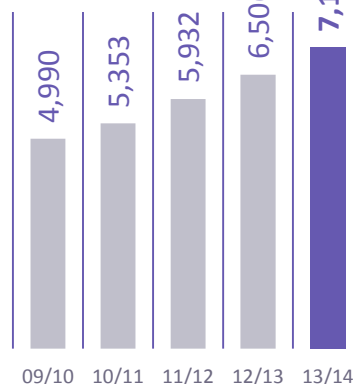
ASSET MANAGEMENT

Asset Management

Proven track record, trend expected to continue



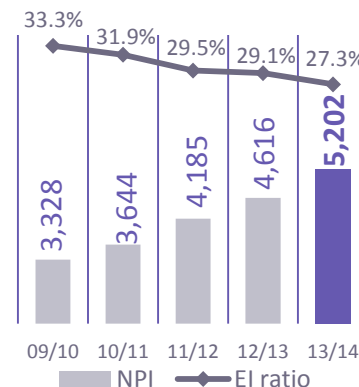
REVENUE
(HK\$ M)



CAGR +9.4%

Revenue increase supported by continuous tenant mix refinement and sales growth

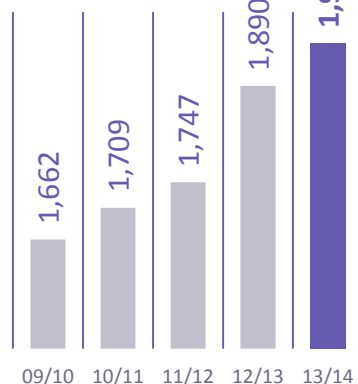
NPI AND
EXPENSE-INCOME RATIO
(HK\$ M / %)



CAGR +11.8%

Steady reduction of expense-income ratio

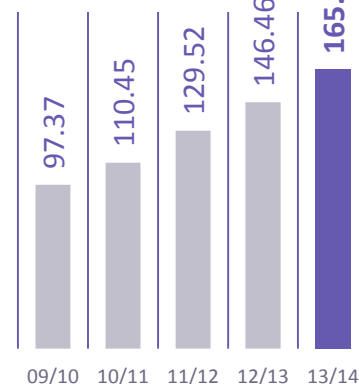
OPERATING EXPENSE
(HK\$ M)



CAGR +4.1%

Diligent cost control keeps increment in operating expense tracking inflation

DPU
(HK Cents)



CAGR +14.2%

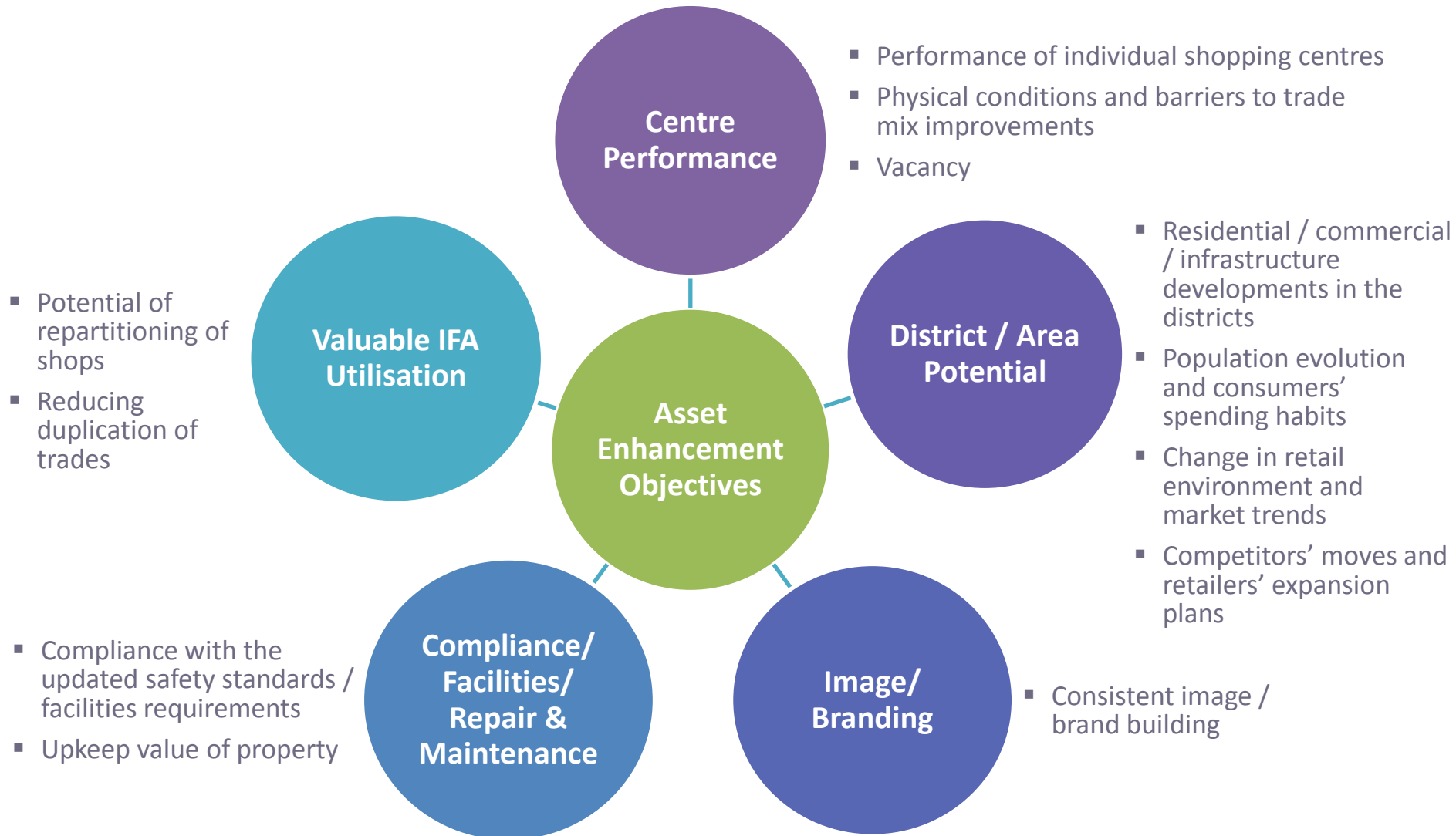
Steady growth in DPU



ASSET
ENHANCEMENT

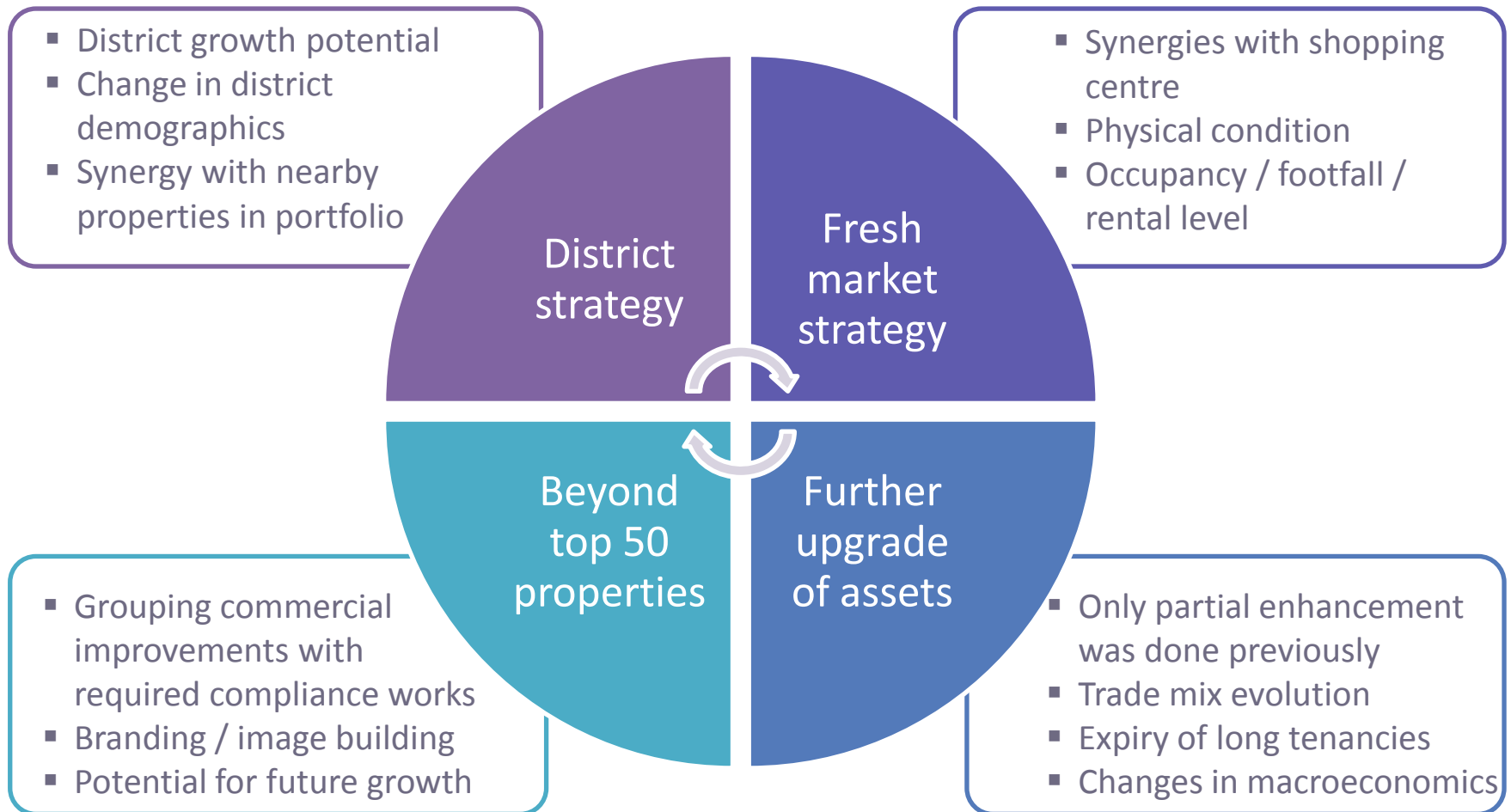
Asset Enhancement

Clear objectives in planning a rolling pipeline



Asset Enhancement


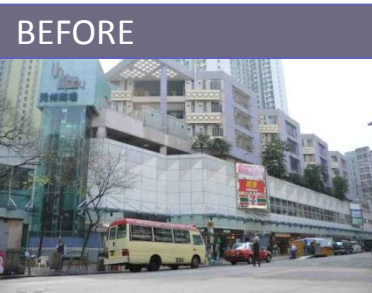
Multi-prong strategy to create value



Asset Enhancement

Project pipeline extending to 2020

Projects to be Completed in 2H FY2014/15

H.A.N.D.S Capex: HK\$477M ⁽²⁾ <div> <div>BEFORE</div>  <div>AFTER</div>  </div>	Un Chau Shopping Centre Capex: HK\$66M ⁽²⁾ <div> <div>BEFORE</div>  <div>AFTER</div>  </div>
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Project Pipeline

Project Pipeline	Target Completion Year						
	2014	2015	2016	2017	2018	2019	2020
Underway	7 projects (HK\$1,444m) ⁽²⁾						
Pending Statutory Approval			8 projects (HK\$1,155m) ⁽²⁾				
Others Under Planning			>13 projects (>HK\$1,600m) ⁽²⁾				

Notes: (1) Estimated return on investment ("ROI") 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) Estimated figures as at 30 September 2014



ASSET
INVESTMENT

Asset Investment

Properties with income and capital growth potential



Expanded Investment Strategy

Strategic reasons

Mainland China

- Rapid urbanisation & economic growth
- Emerging middle class & increasing consumer demand

Property Development

- Design, build to specifications and hold for long-term income
- Early stage with lower entry cost
- Potential to re-develop existing properties

Our Focus

- Target mid-market retail properties, focusing on tier-1 megacities
- Income generating properties and to be completed turnkey projects
- Initially in Hong Kong
- Stand-alone or mixed-use development
- Well designed high quality assets with sustainable income growth

領匯 The Link



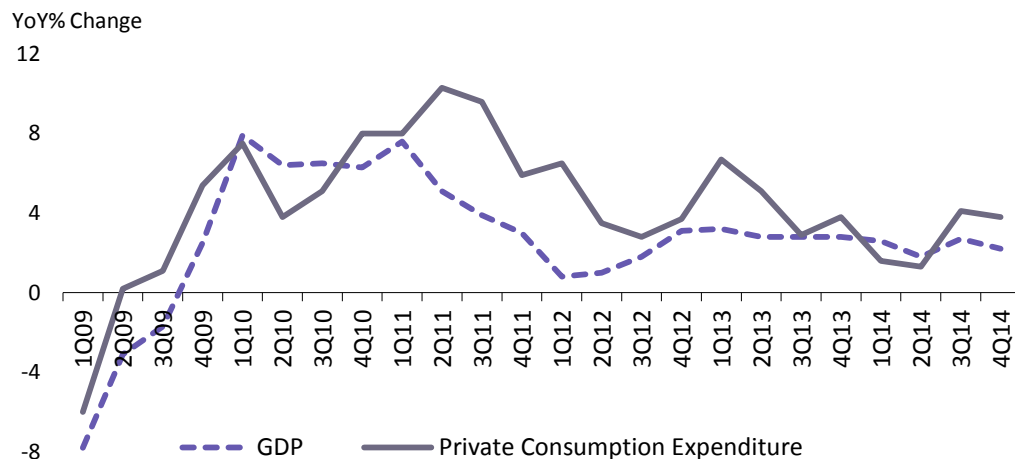


MARKET
UPDATE

Hong Kong Economy

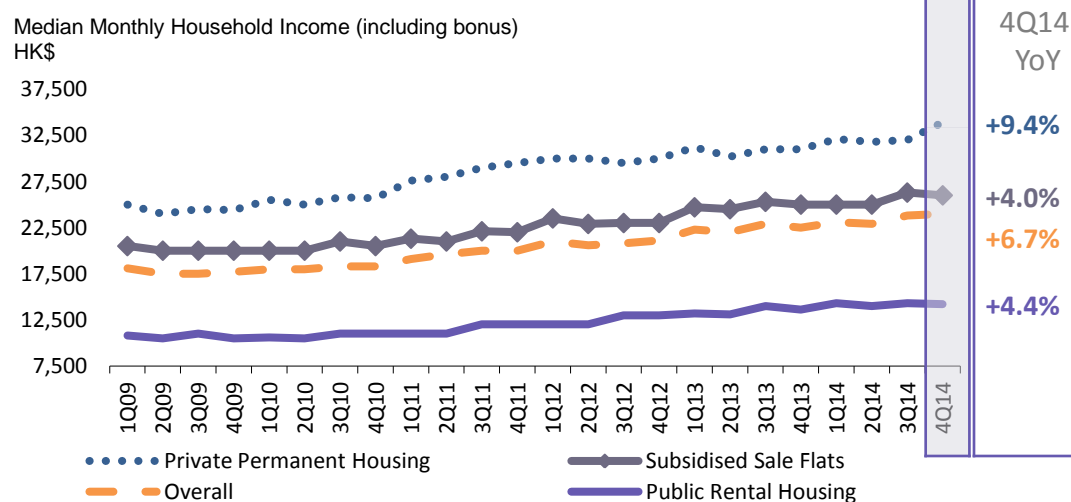
Stable GDP and household income growth

GDP & Private Consumption Expenditure (PCE)



- Stable GDP growth supports non-discretionary consumption
- GDP in 2015 is forecast to grow at similar rate of 2014. Local consumption is expected to remain resilient due to income rise, low unemployment and stable food prices

Household Income Growth

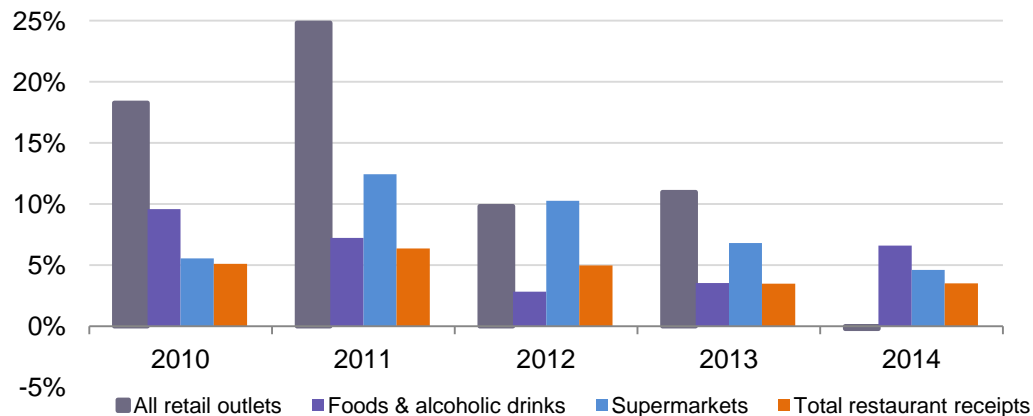


- Steady growth in household income
- Low unemployment rate supported by creation of jobs in construction and retail sectors
- Proposed public housing rental subsidy and higher allowances in Government's 2015 Budgetary Proposal supports domestic consumption

Hong Kong Economy

Growth in non-discretionary items remains resilient

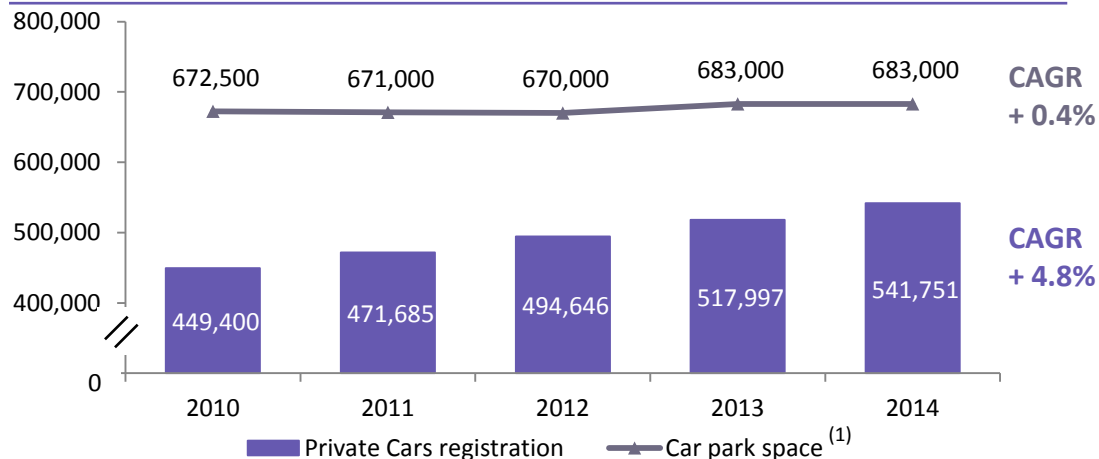
YoY Change of Retail Sales Value



Source: Census & Statistics Department

- Retail sales declined in 2014 led by sharp drop in high-end retail
- Non-discretionary trades continued to see steady growth
- Shopping malls in decentralised areas are expected to outperform prime shops

Car Park Demand and Supply



- New supply of car park spaces remains limited while licensed vehicles in HK continue to increase
- With the increased population in sub-urban areas, demand for private cars and thus car park spaces is expected to grow steadily.

Source: CEIC, Transport Department

Note (1): Data as at April of each calendar year

Expanded Investment Strategy

Provide full range of growth drivers

Complementary growth drivers to deliver increasing DPU

Asset management of portfolio to improve income growth and service standard

Asset enhancement to boost net property income and capital value

Acquisition of quality assets with income and capital growth potential

Capital recycling through disposal of non-core assets

Property development to design, build and hold

Re-development of existing properties for long-term sustainable growth

Capital management to provide solid foundation for growth

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