



The Link Real Estate Investment Trust  
Stock Code : 823

# Link Sustainability with Everything We Do

## Corporate Presentation

## September 2014



# Profile of The Link REIT

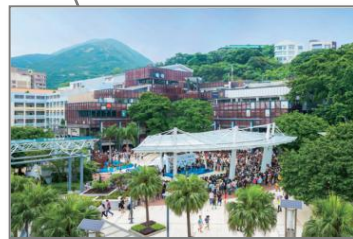
Chung Fu Plaza



Choi Yuen Plaza



Lok Fu Plaza

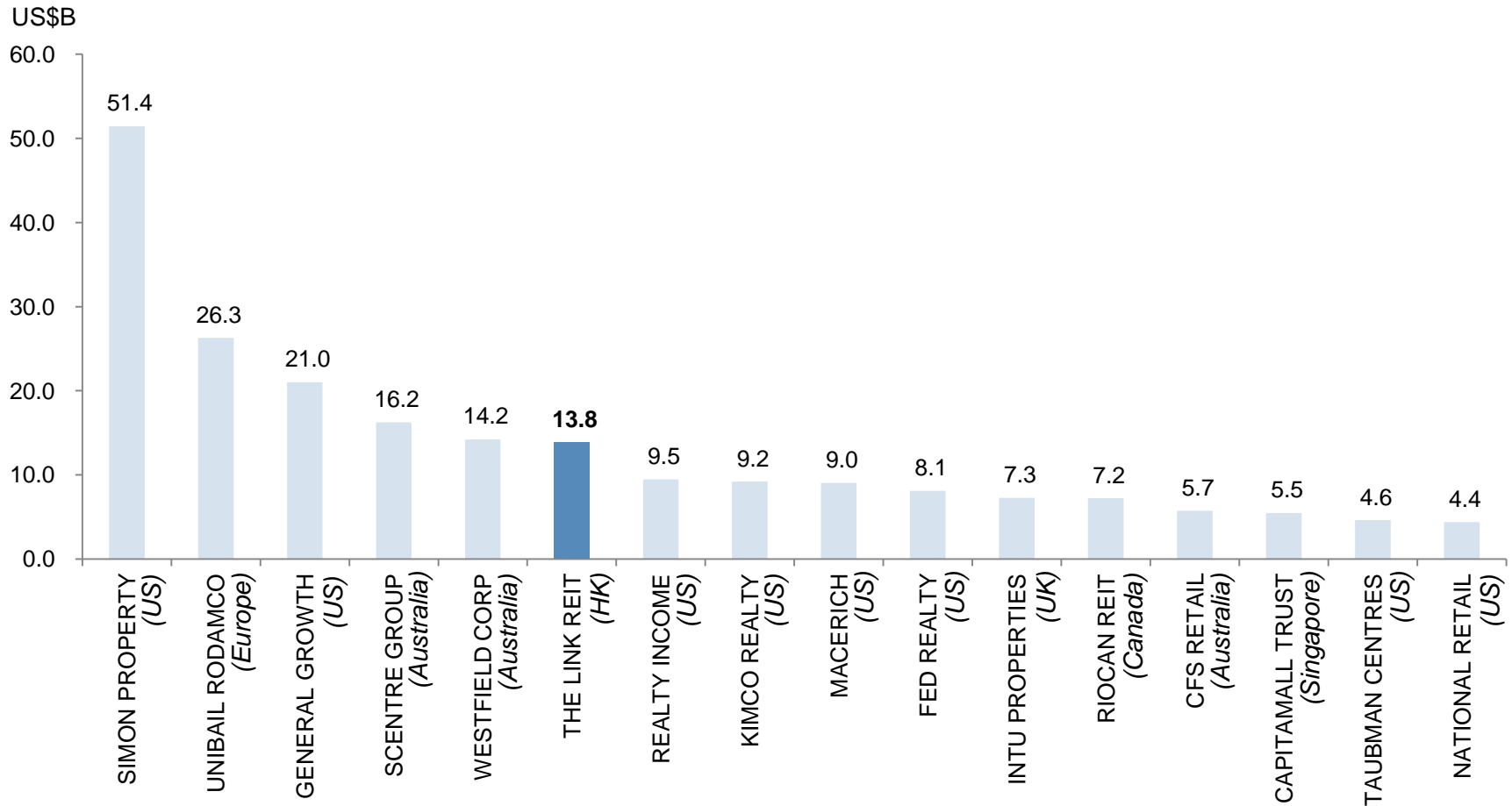


Stanley Plaza

- **First REIT** listed on the Stock Exchange of Hong Kong on **25 November 2005** (0823.HK)
- **100% free float publicly held** by institutions and private investors
- **179** properties with an internal floor area of approx. **11M sq ft** of retail facilities and approx. **78,000** car park spaces
- Retail facilities located at residential areas, serving the daily needs of the **majority of Hong Kong population**
- The Link REIT's portfolio represents approx. **9%** of Hong Kong retail floor area

# One of the Largest Retail REITs in the World

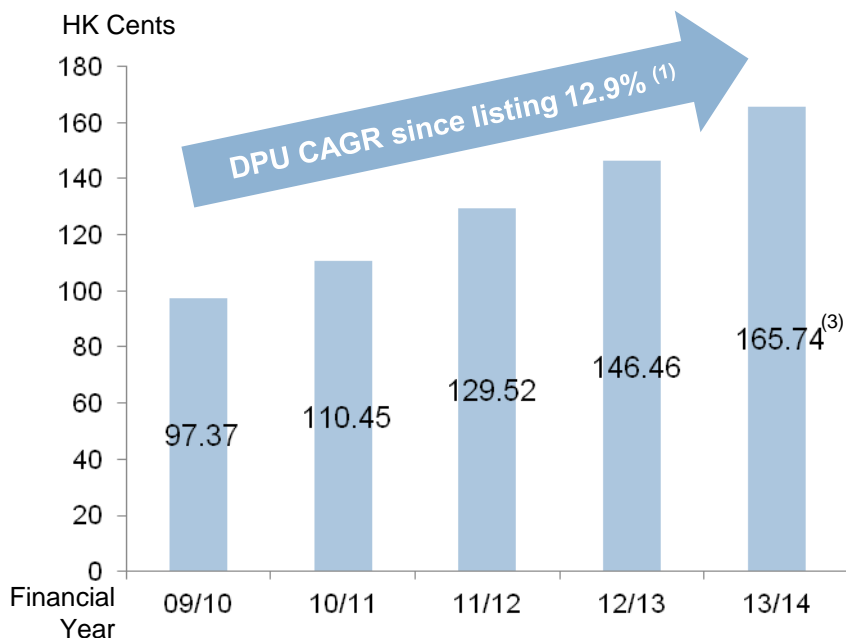
## The Link REIT is the largest REIT in Asia



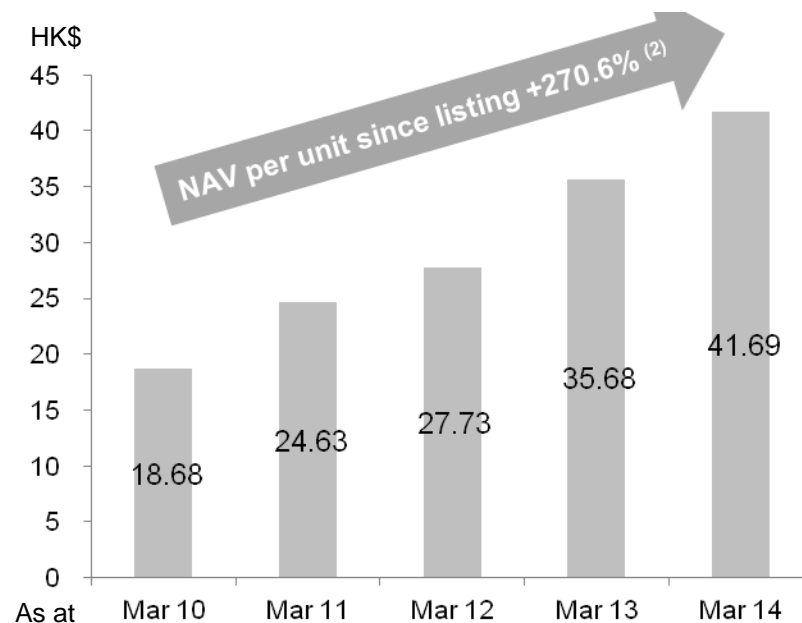
Note: Comparison of selected major retail REITs in the world based on market capitalisation

Source: Bloomberg as of 15 Sep 2014

## Distribution Yield



## Capital Gain



**Compound Annualised Total Return Since Listing +20.7%<sup>(4)</sup>**

### Notes:

- (1) Compound average growth rate ("CAGR") of annualised distribution per unit ("DPU") since listing in November 2005.
- (2) Increase in NAV per unit since listing represents the change in NAV from 31 Mar 2006 to 31 Mar 2014, after restatement due to change in accounting policy.
- (3) Before adjustment of unit buybacks.
- (4) A combination of unit price appreciation and distribution paid out since listing in November 2005 to 15 September 2014.

# 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

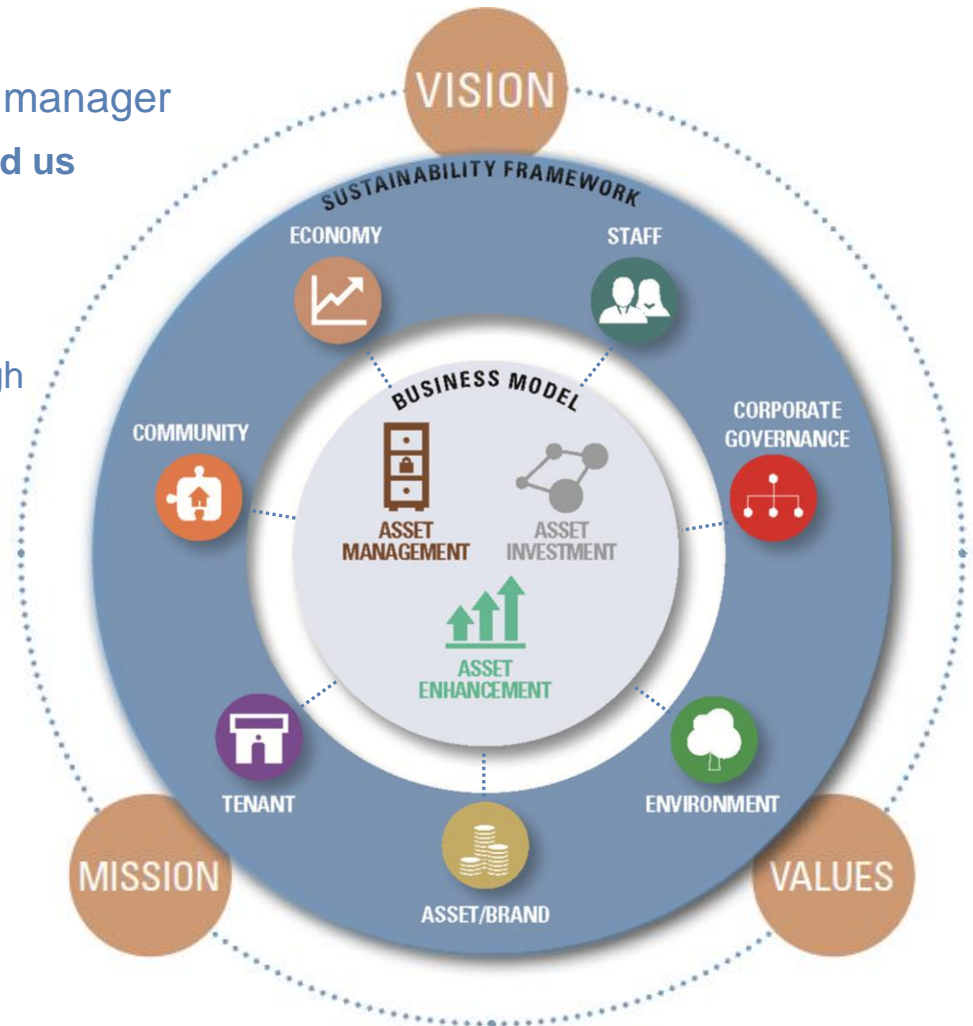
Building relationships with our stakeholders through

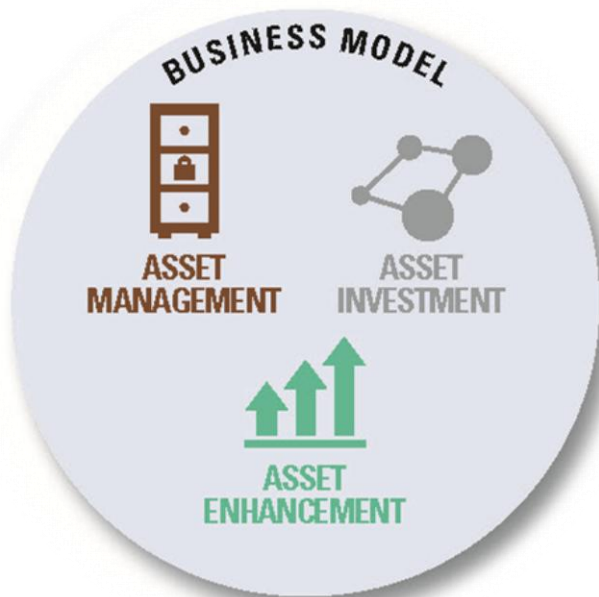
- Providing value and quality service
- Partnering with local communities
- Delivering sustainable growth

## Values

Managing and operating our business with

- Respect
- Excellence
- Integrity
- Teamwork





## Asset Management

- Refine tenant mix
- Improve service standards
- Support tenants' sales
- Manage operating costs

## Asset Enhancement

- District strategy
- Further upgrade of assets
- Fresh market strategy
- Beyond top 50 properties

## Asset Investment

- Identify investment opportunities in both HK and China
- Streamline portfolio and recycle capital

## Capital Management

- Strong credit ratings
- Diversify funding source
- Extend maturity and fix interest rate

**Capital  
Management**

# Multiple Drivers to Growing Total Return

## Asset Management

- Delivering the core earnings growth
- Net property income increased 12.7% yoy <sup>(1)</sup>
- Expense to income ratio decreased to 27.3% <sup>(1)</sup>

## Asset Enhancement

- 35 Projects completed since IPO <sup>(2)</sup>
- Weighted average return on investment of approximately 21% <sup>(2)</sup>
- 27 projects in progress / under planning <sup>(2)</sup>

## Asset Investment

- Acquired 3 properties for HK\$3.1B since IPO
- Disposed 4 properties at over 38% premium to appraised value <sup>(3)</sup>
- Disposing further 5 properties (target by end of Sep 2014)

## Capital Management

- Compressed funding cost and extended average life of fixed rate debt
- Issued US\$500m 10-year notes at 3.6% coupon in Sep 2014
- Bought back 17.5m units <sup>(4)</sup> at average price HK\$45.70 <sup>(4)</sup>, below breakeven cost to offset disposal impact on DPU

### Notes:

(1) For the financial year ended 31 Mar 2014

(2) As at 31 Mar 2014

(3) Appraised value as at 31 Mar 2014

(4) Up to 17 Sep 2014



Refine  
tenant mix

Improve  
service  
standards

Introduce  
innovative  
marketing  
campaigns

Support  
tenants' sales

## Selected Newly Joined Tenants



聯邦皇宮  
Federal Palace

wishh!

老行家

爭鮮  
回轉壽司  
SUSHI EXPRESS

## Selected Existing Tenants Expanding in Our Portfolio

FOOTSPOT.

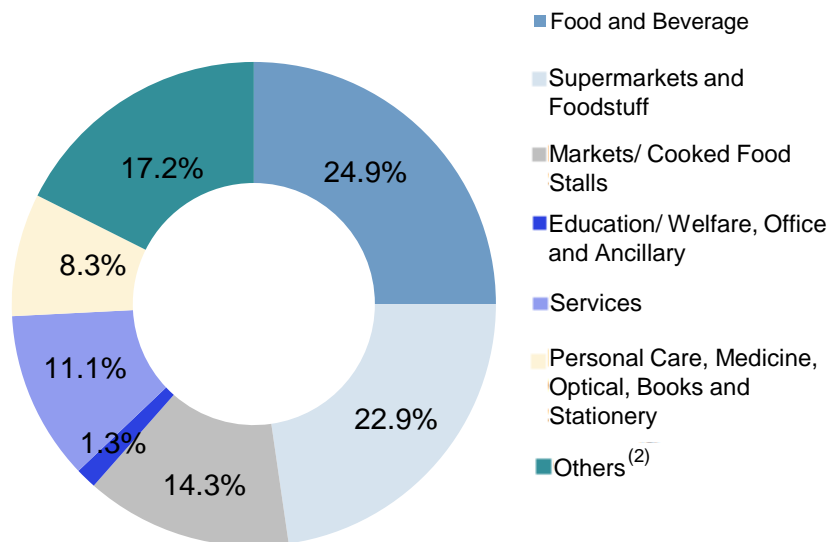


Sasa 莎莎

Active asset management with expanding tenant base



## Retail Trade Mix by Monthly Rent <sup>(1)</sup>



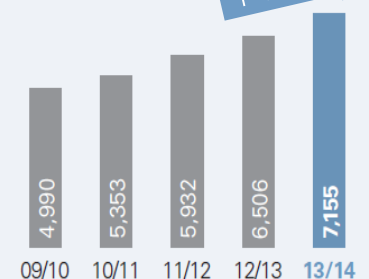
### Notes:

(1) Retail trade mix by monthly rent as at 31 Mar 2014

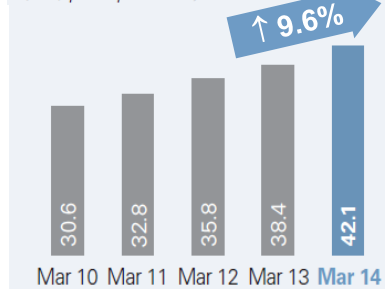
(2) Others include clothing, department stores, electrical and household products, leisure and entertainment, and valuable goods

(3) For the financial year 2013/2014

## REVENUES (HK\$'M)



## AVERAGE MONTHLY UNIT RENT (HK\$ per square foot)



35 <sup>(3)</sup>

TENANTS JOINED OUR  
PORTFOLIO



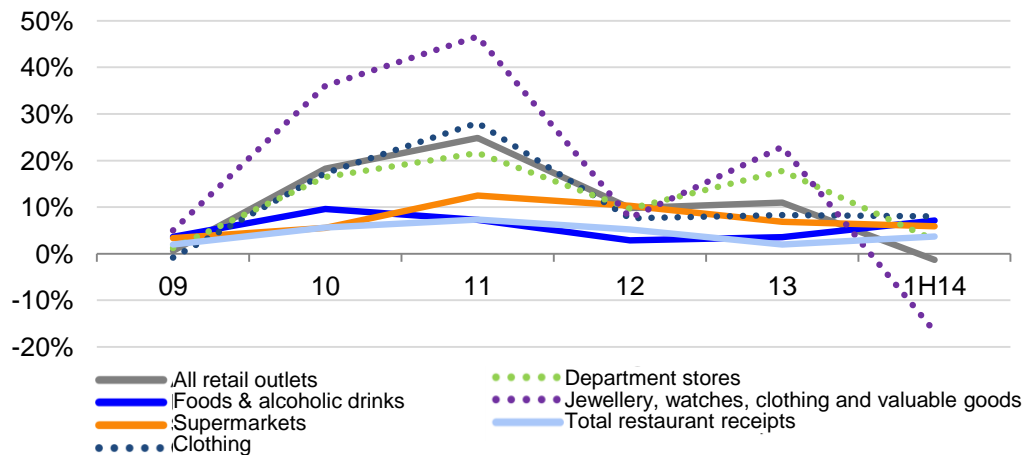
## TENANT SALES <sup>(3)</sup>



Focus on non-discretionary trades providing more stable profile

# Hong Kong Economy – Retail Sales Market Remains Resilient

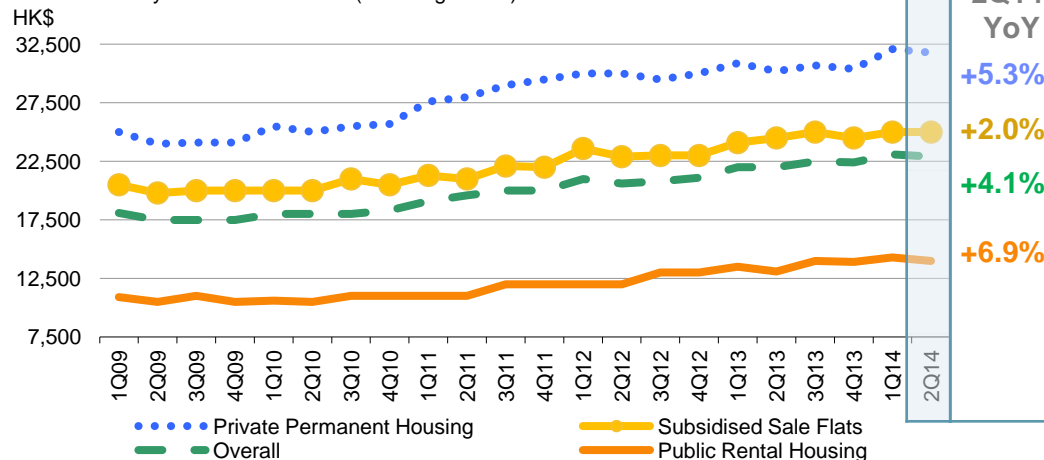
## YoY Change of Retail Sales Value



- Positive consumer sentiment
- Sales growth in non-discretionary items remains stable
- Decline in luxury goods sales dragged overall sales growth in 1H14

## Household Income Growth

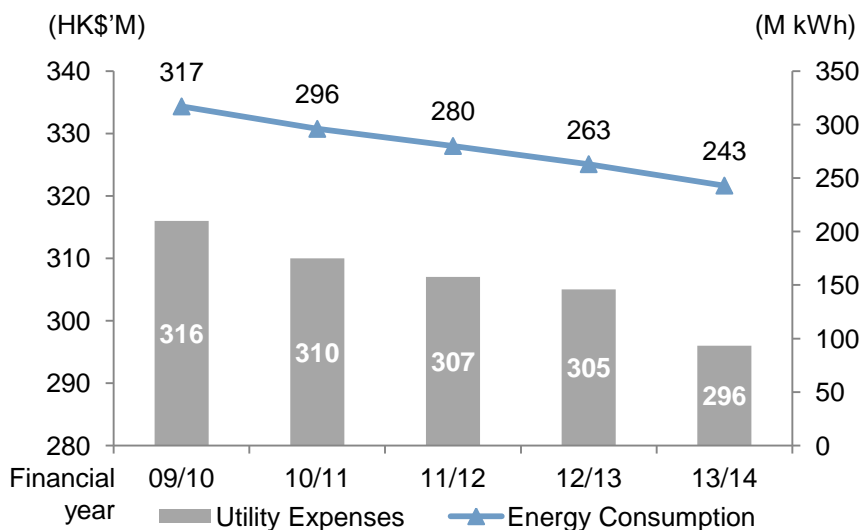
Median Monthly Household Income (including bonus)



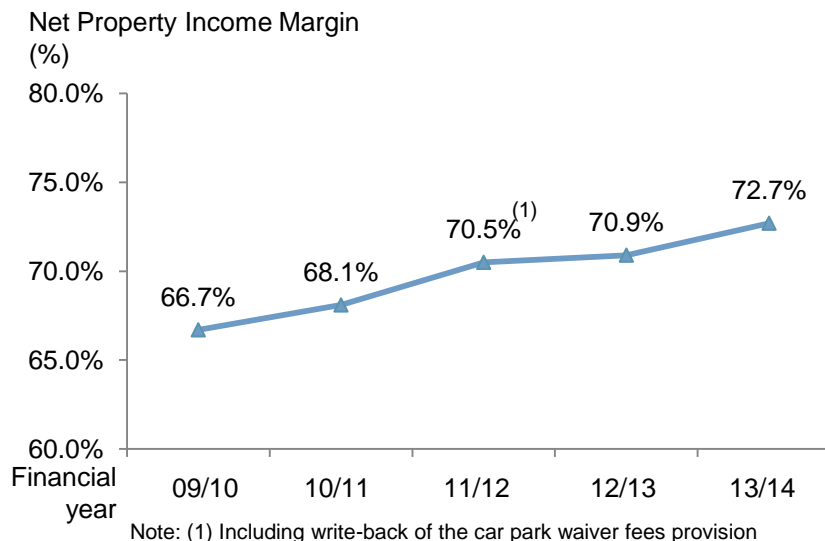
- Steady improvement in household income
- Favourable employment conditions
- Statutory minimum wage supporting domestic consumption

Source: CEIC, Census and Statistics Department

## Well-controlled Utilities Expense



## Continuous Margin Improvement



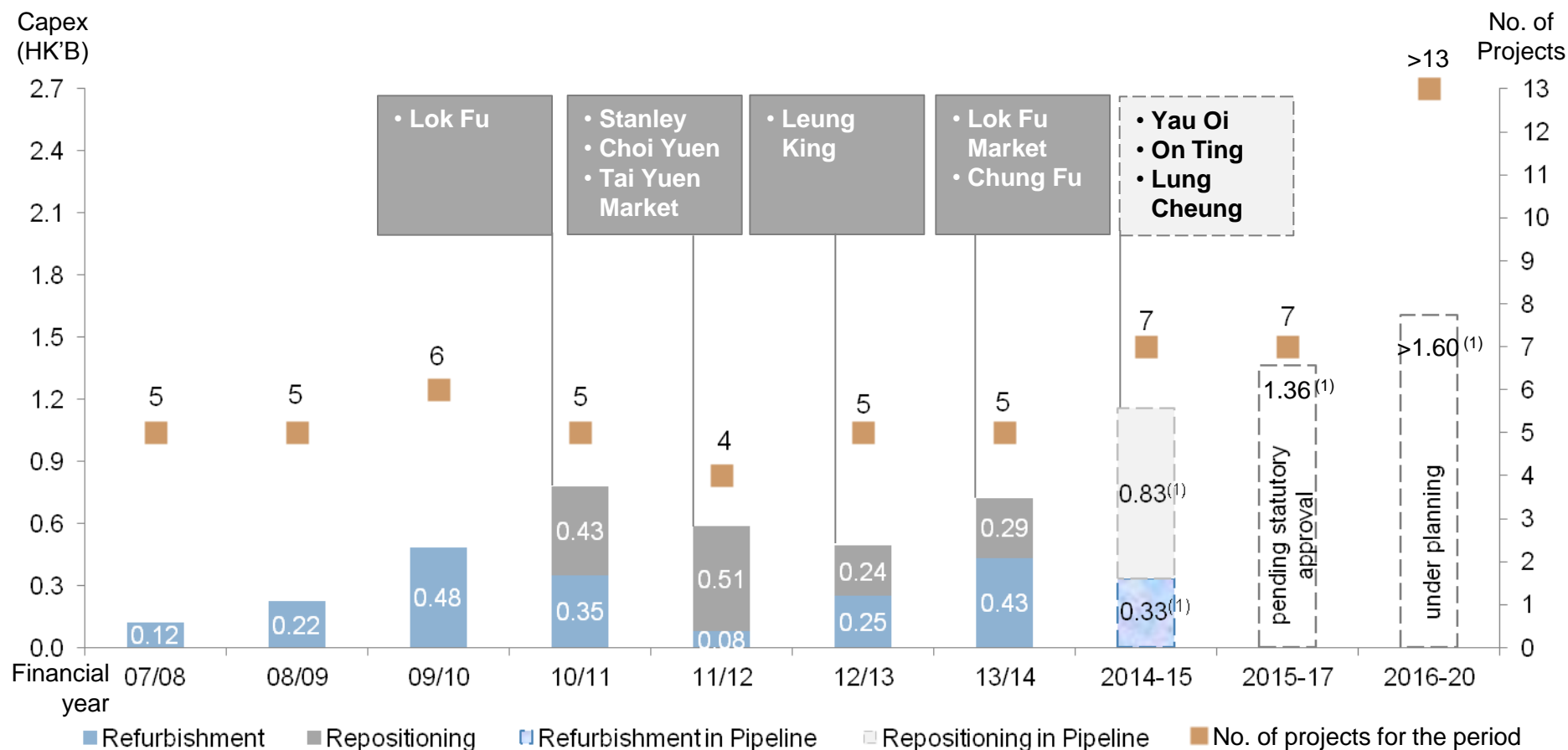
### Energy Management Program

- Energy saving initiatives vision of 20/20 achieved in FY13/14
- Set new energy saving target of reducing energy use by 30% by 2020

### Building Management System

- Improve operational efficiency and reduce energy consumption
- Will expand to control and manage all electrical-related features

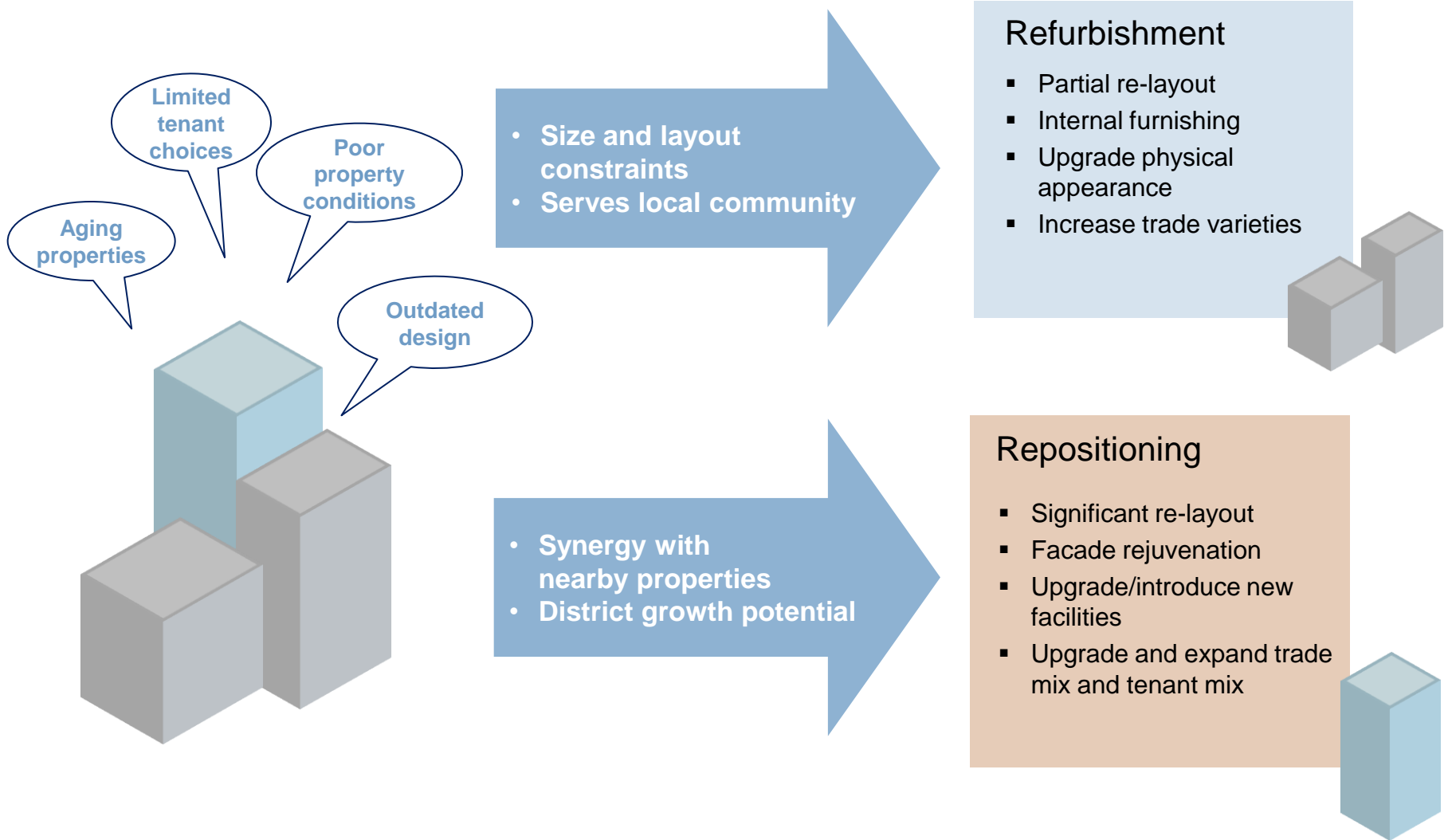
# Asset Enhancement – Steady Project Pipeline

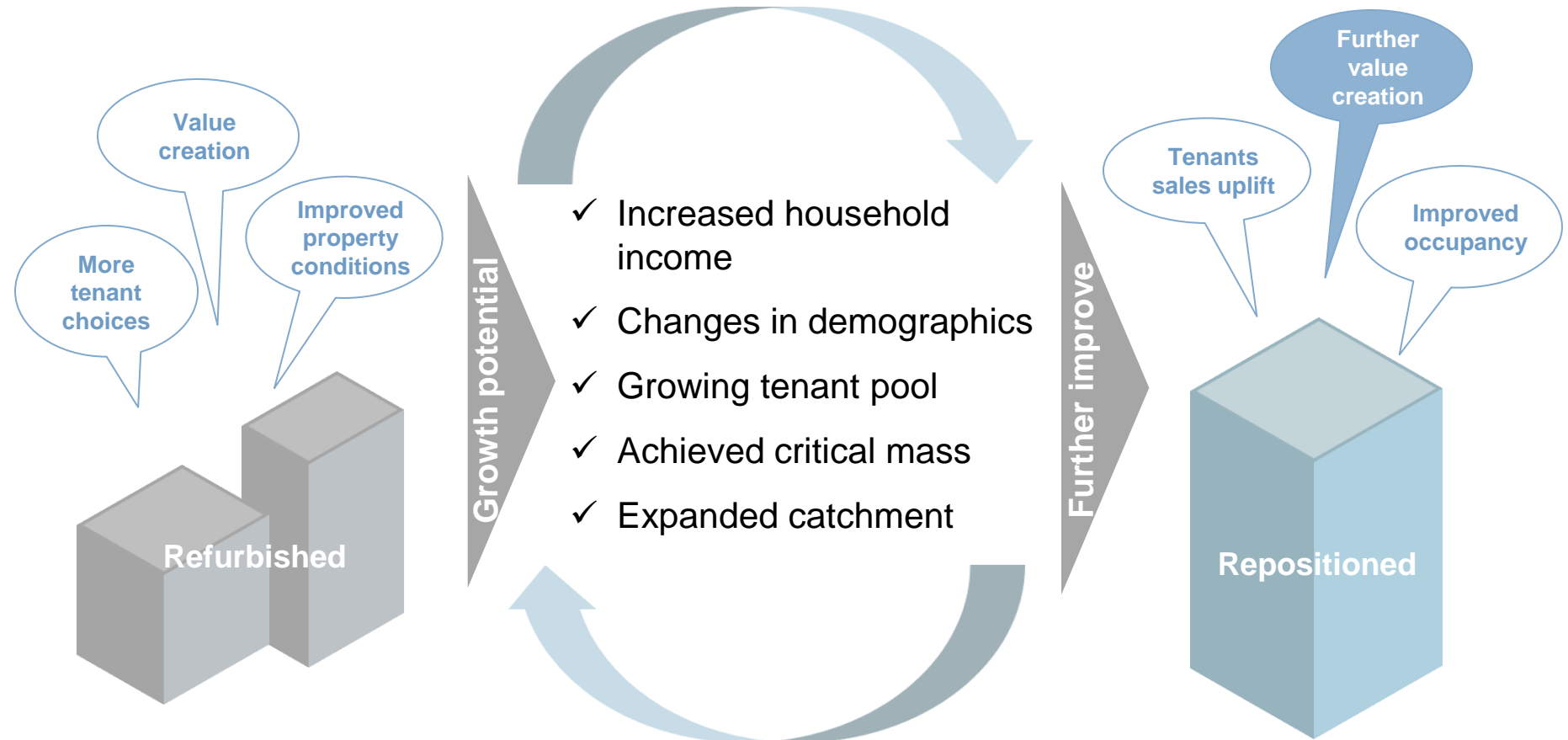


Note:

(1) Estimated figures as at 31 March 2014

Continuous asset enhancement pipeline extending to 2020





Ongoing process to improve and create value

# Asset Enhancement – Lung Cheung Plaza

## – An example of second asset enhancement

### Refurbishment

(Completed in 2008)

New retail  
space created

New drop-off  
space

### Layout of Lung Cheung Plaza

Level 2

Level 1

Level G

Level LG

– 1<sup>st</sup> AE

– 2<sup>nd</sup> AE

To WTS  
Plaza

To WTS  
Temple and  
MTR

To MTR

### Repositioning

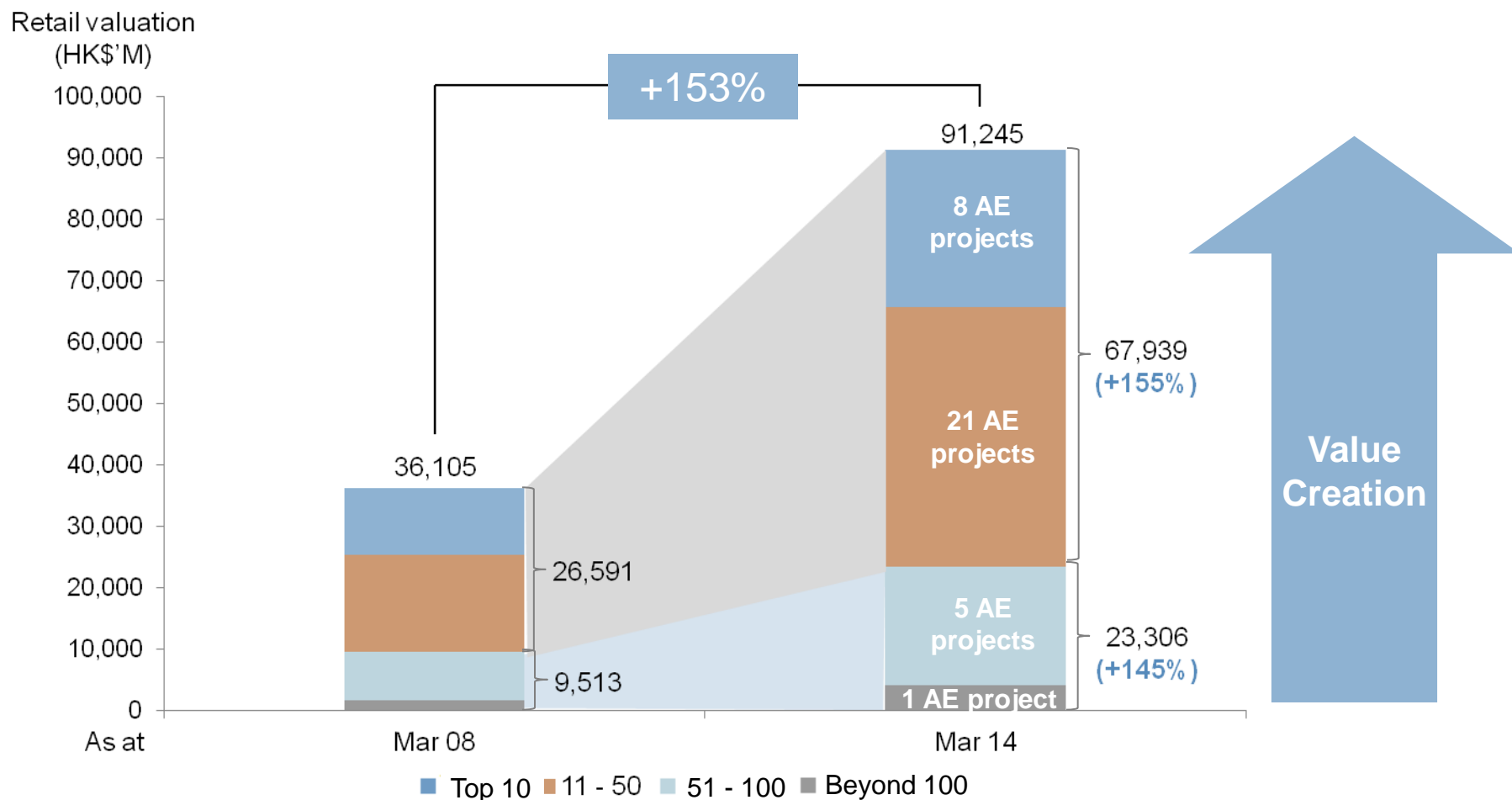
(To be completed by 2015)

- Convert service space to retail space
- Repartition to create more shops to add variety
- Reduce secondary corridor
- Expand trade mix: add tourist elements

Reposition community centre to capture district's growth potential



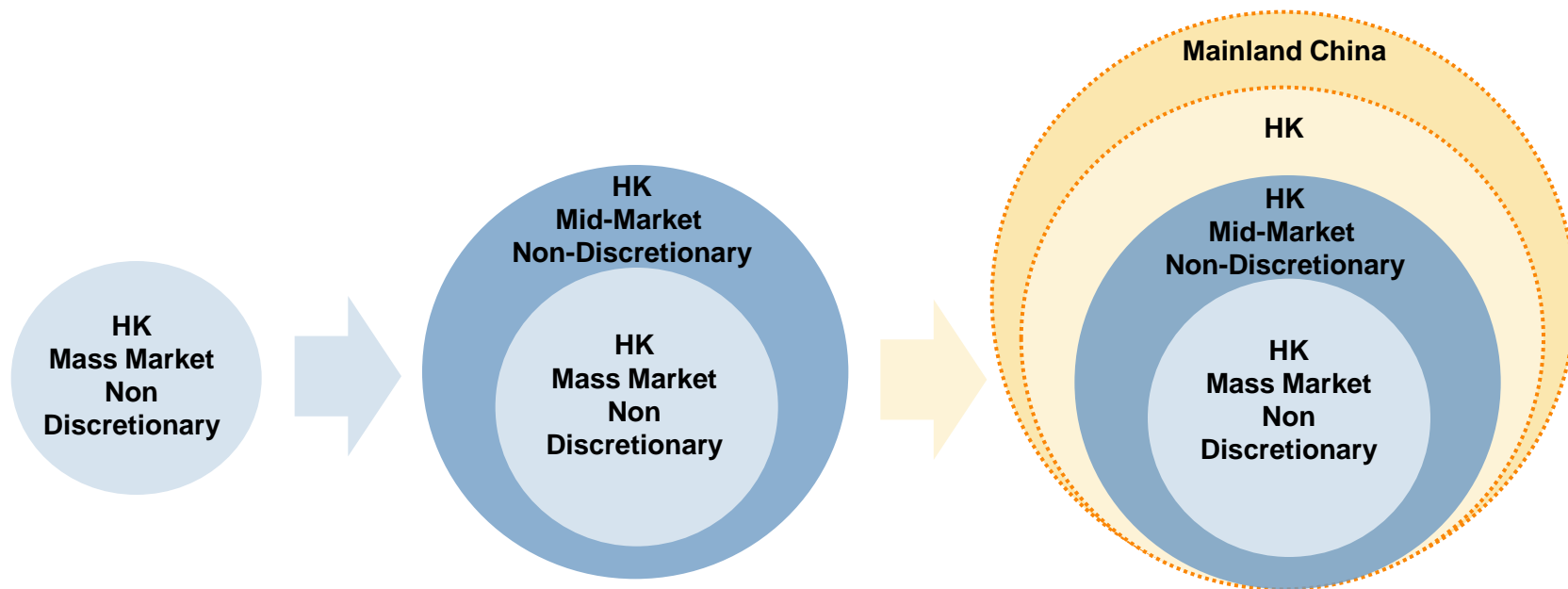
# Asset Enhancement – Value Creation



Valuation of enhanced assets outperformed remaining portfolio

**Organic Growth**

**Inorganic Growth**



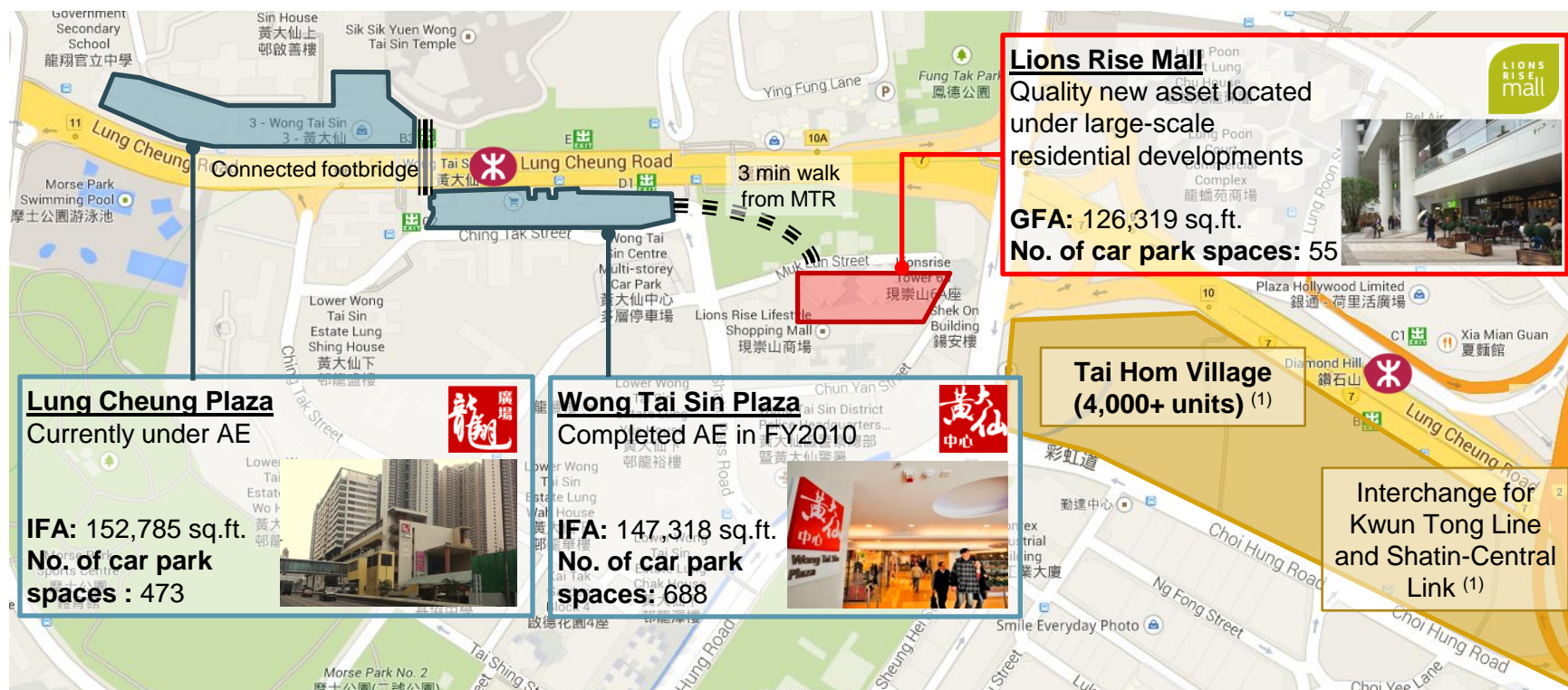
**Asset Management and Enhancement**

**Asset Investment**

Near term growth drivers from asset management and enhancement of existing portfolio

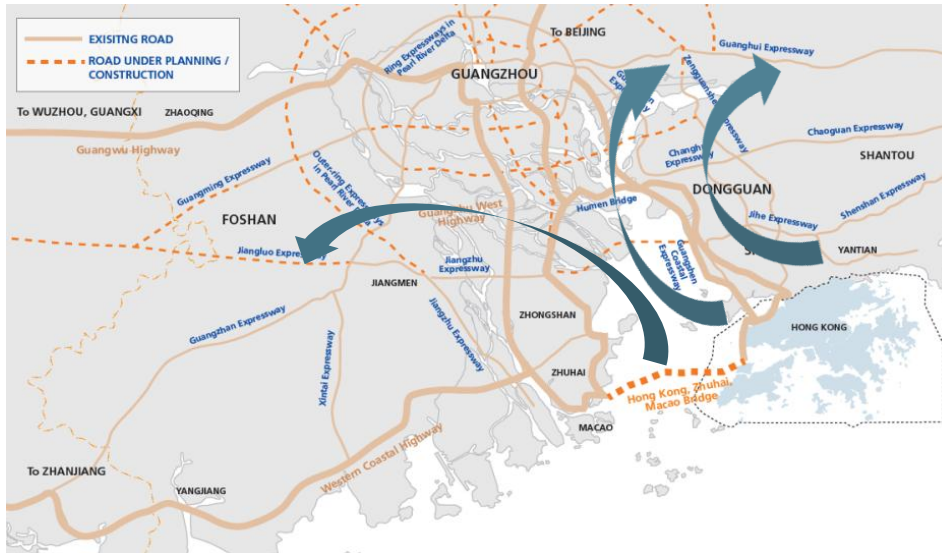
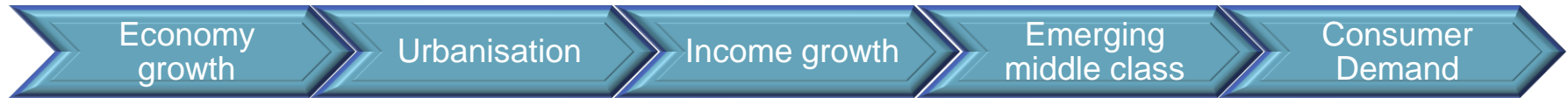
# Asset Investment – Acquisition of Lions Rise Mall

- HK\$1,380m acquisition completed on 18 Sep 2014
- Potential upside from improvement in occupancy (currently 84%), market reversion and district's population growth



Significant synergies with The Link REIT's existing portfolio in the district

# Asset Investment – Expanding into Mainland China

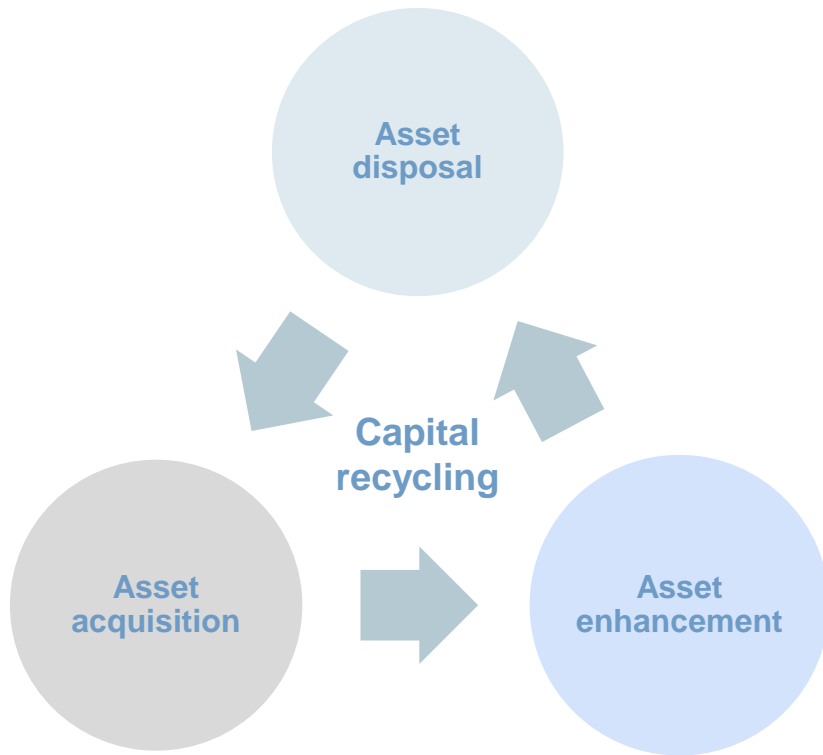


- Improving infrastructure in Pearl River Delta facilitates regional integration
- Benefitted from the fast growing middle class shoppers
- Large tenants from Hong Kong already operating in Guangdong province

## Investment Strategy

- Target mid-market retail properties
- Stand-alone shopping malls / retail portion of mixed-use developments
- Income generating properties and uncompleted properties
- Wholly-owned or majority-owned in JV with strong local developers

Expanding our portfolio to include Mainland China in medium term



- Continue to assess performance of individual properties
- Identify and capitalise strength of districts with growth dynamics
- Dispose assets with outlying growth potential
- Focus resources on areas with expansion momentum through asset enhancement and asset acquisition

Streamline operations and recycle capital for further value creation

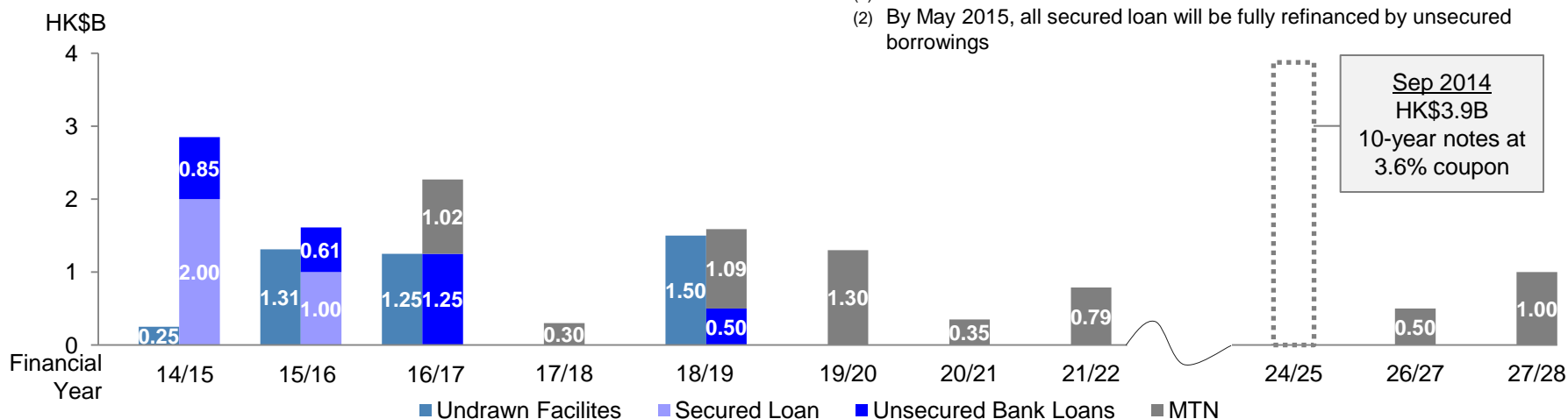
# Capital Management – Strong Funding Base

## Corporate Credit Rating

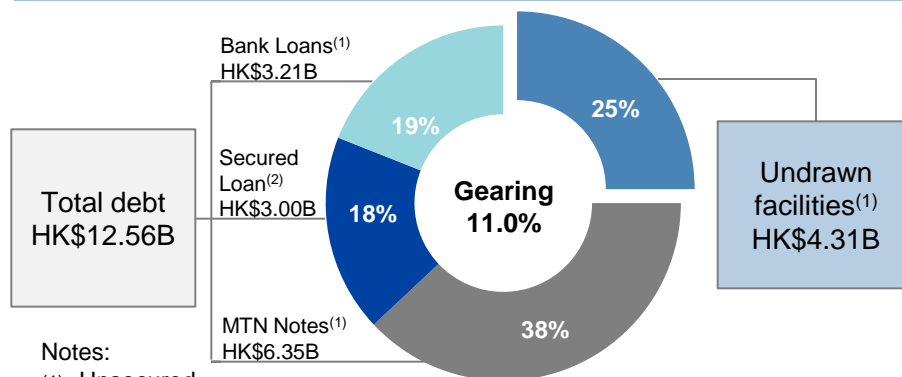
Moody's **A2 / Stable**

Standard & Poor's **A / Stable**

## Debt Maturity Profile as at 31 Mar 2014



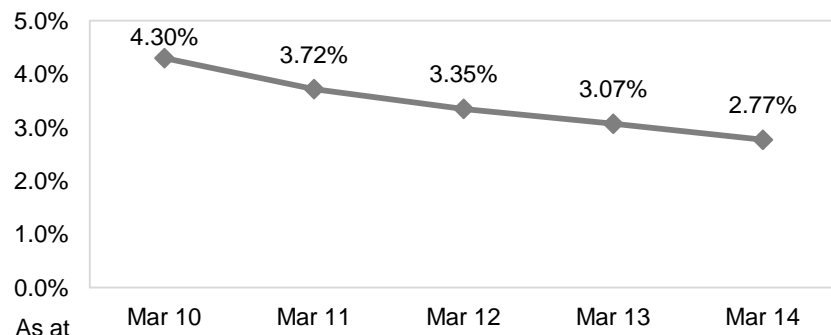
## Funding Status as at 31 Mar 2014



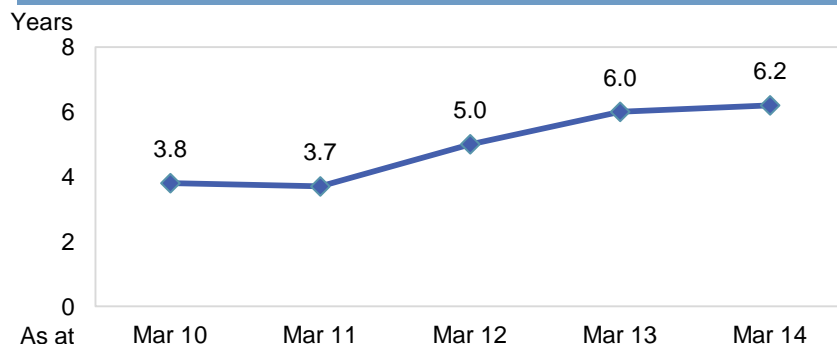
Low funding cost and headroom to support growth initiatives

# Capital Management – Improving Financial Positions

## Decreased Average Interest Rate <sup>(1)</sup>



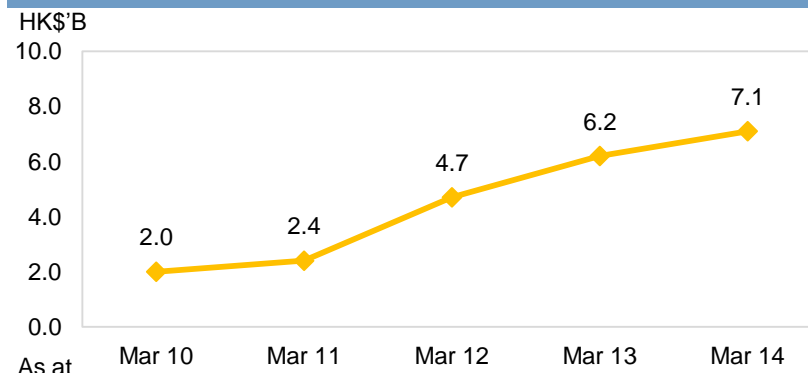
## Longer Average Life of Fixed Debt <sup>(2)</sup>



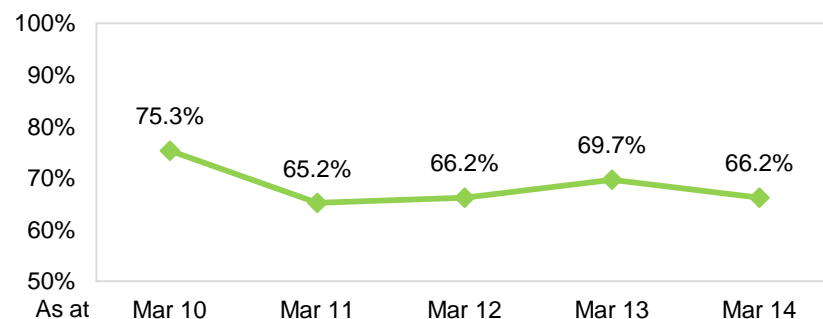
Notes:

- (1) Average effective interest rate of outstanding borrowings
- (2) Average remaining life of fixed rate debt or swaps
- (3) Available liquidity = cash + deposits + committed undrawn facilities
- (4) Fixed debt / Net debt
- (5) Excluding the impact of US\$ Bond issued in Sep 2014

## Increased Available Liquidity <sup>(3)</sup>



## Adjusted Fixed Debt Ratio <sup>(4)</sup>



Well positioned to face the challenge of increasing interest rate cycle



Strong Hong Kong economic foundation supports steady retail sales growth

Proven track record of asset management and asset enhancement

Large portfolio with high operating leverage provides stable income source

Capital management well positioned to counter potential interest rate hike

Disciplined and cautious growth strategy

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