

# Expanding horizons, exploring new opportunities

領匯  
The Link

**Interim Results Presentation  
2014/2015**

**12 November 2014**

# Interim Highlights

領匯  
The Link



## Healthy financial growth

- Revenue up 9.6% yoy to HK\$3,830M
- NPI growth of 10.6% yoy to HK\$2,783M

## Positive performance indicators

- Steady reversion rate of 23.6%
- Average unit rent of HK\$43.6 psf, up 8.5% yoy

## Enhanced asset portfolio

- Value of portfolio of HK\$125,486M, up 14.2% <sup>(1)</sup>
- NAV per unit of HK\$48.23, up 15.7% <sup>(1)</sup>

## Growing total return

- DPU of HK89.56 cents <sup>(2)</sup>, increased by 11.6% yoy
- Unit price of HK\$44.75 <sup>(3)</sup>, up 17.3% <sup>(1)</sup>

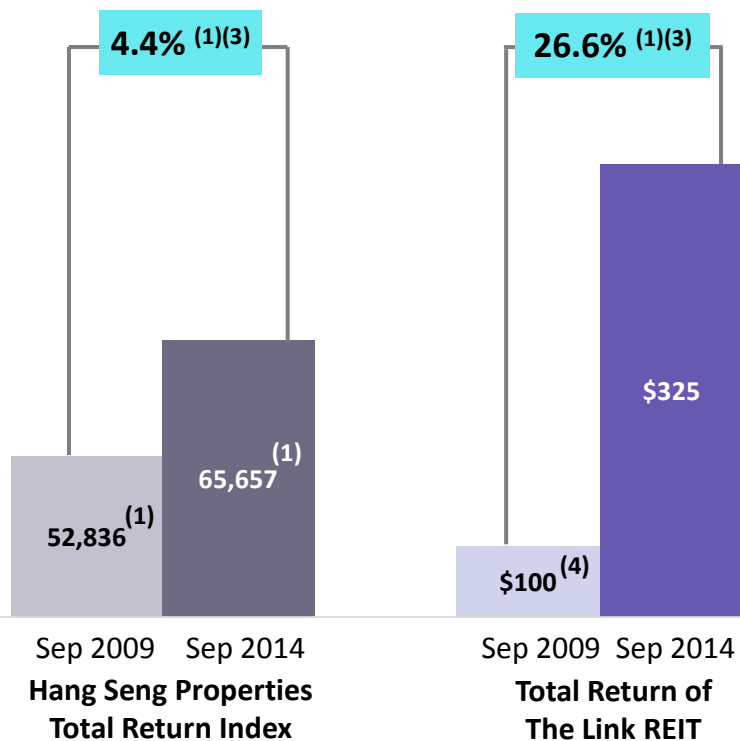
Notes: (1) Variance as compared to 31 March 2014

(2) Including discretionary distribution of HK5.56 cents relating to the transaction costs incurred for the acquisition of investment property during the period.

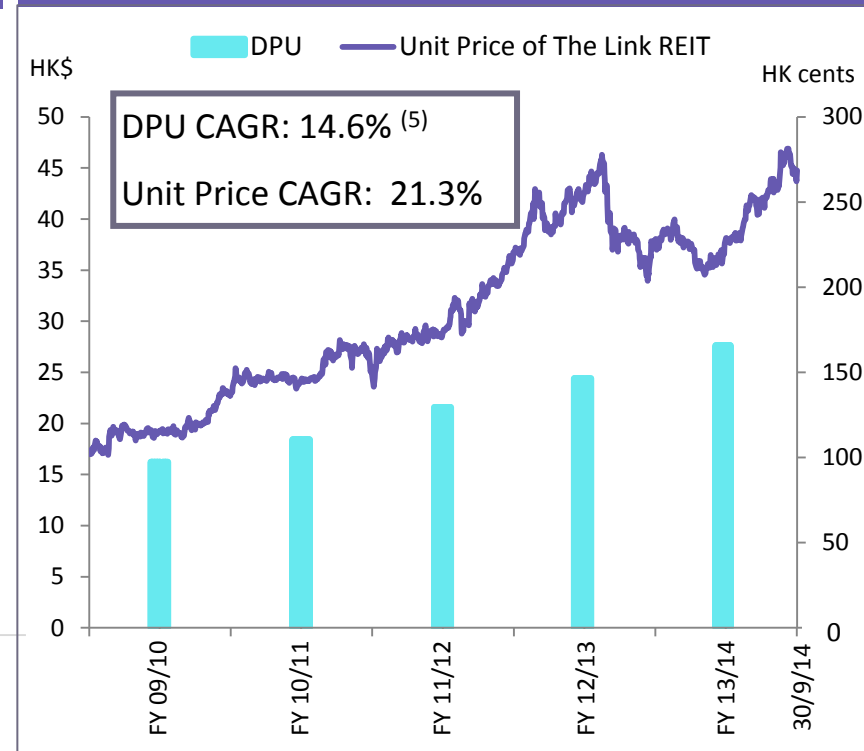
(3) As at 30 September 2014

# Total Unitholders' Return ("TUR") Delivering TUR growth to unitholders

## 5-Year Compound Annual Total Return Comparison <sup>(2)</sup>



## 5-Year Movement



Notes: (1) Source: Bloomberg

(2) Total return defines as change in stock price plus dividends paid

(3) Compound annual total return was calculated from 30 September 2009 to 30 September 2014, including re-investment of dividends

(4) Assume initial investment of HK\$100 in The Link REIT on 30 September 2009

(5) DPU 5-year CAGR for the past 5 financial years



## Asset Management

- Continue to improve tenant mix
- Margin continue to expand

## Asset Enhancement

- Completed **2 projects**
- Maintain strong pipeline till 2020

## Asset Investment

- Acquired **Lions Rise Mall**
- Disposed **9 smaller properties** to streamline portfolio

## Capital Management

- Issued **US\$500M 10-year notes** at 3.6% coupon rate
- Repurchased **19.4m units** at average price of **HK\$45.6 per unit**

Refine  
tenant mix

Improve  
service  
standards

Introduce  
innovative  
marketing  
campaigns

Support  
tenant  
sales

### Newly Joined Tenants

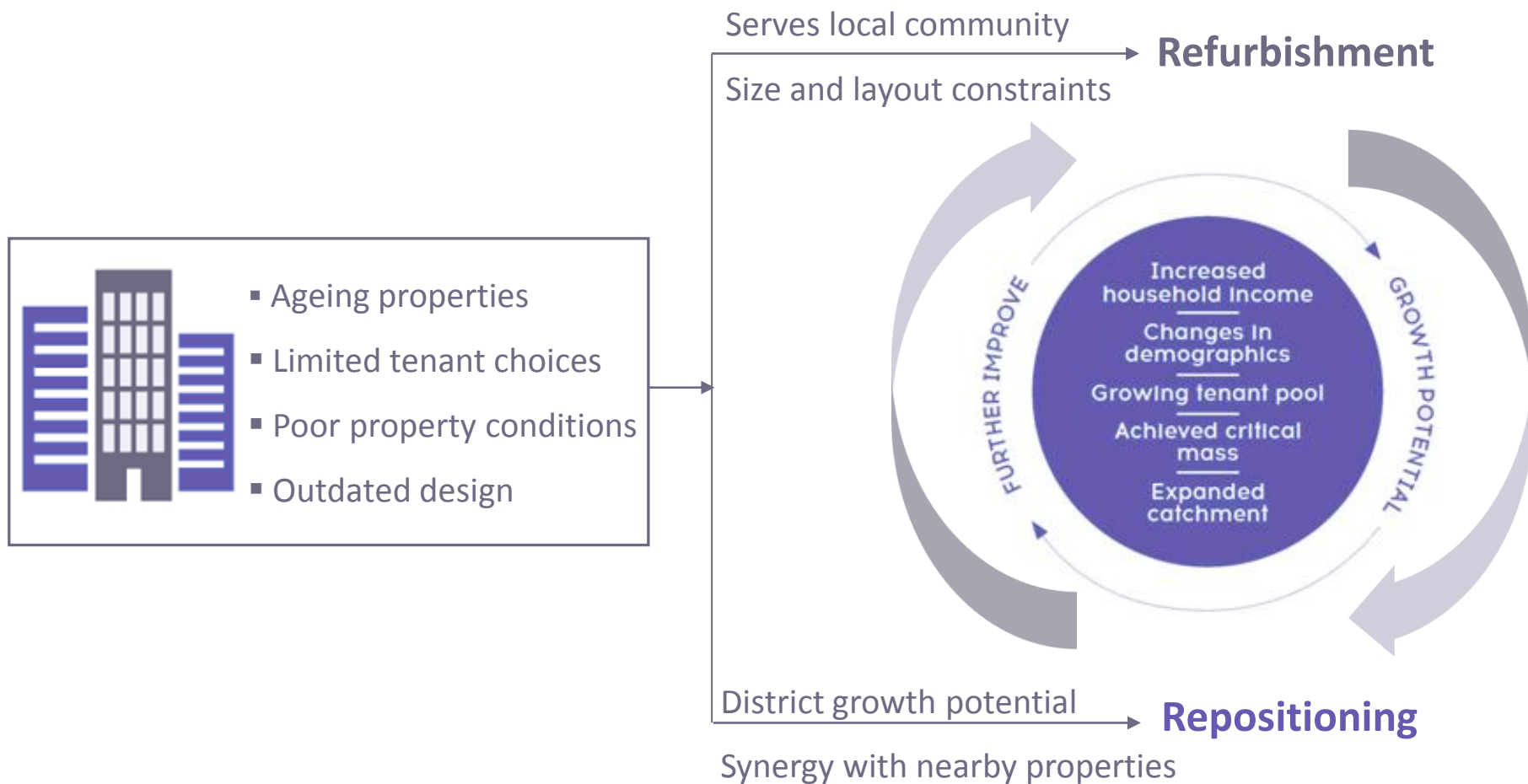


### Existing Tenants Expansion



# Asset Enhancement

## Ongoing process to improve and create value



# Asset Enhancement

## Project pipeline extending to 2020

### Completed Refurbishment Projects

#### Hoi Fu Shopping Centre

Capex: HK\$39M

ROI <sup>(1)</sup>: 19.1%

BEFORE



AFTER



#### Mei Lam Commercial Centre

Capex: HK\$87M

ROI <sup>(1)</sup>: 17.8%

BEFORE



AFTER



### Project Pipeline

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

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 Enhancement

## Projects underway to enhance portfolio value

**Tin Shing <sup>(1)</sup>**  
HK\$212M / early 2016 <sup>(2)</sup>



**Long Ping <sup>(1)</sup>**  
HK\$196M / late 2015 <sup>(2)</sup>



■ Refurbishment  
■ Repositioning

**Yau Oi / On Ting**  
HK\$477M / late 2014 <sup>(2)</sup>



**Tsing Yi**  
HK\$140M / mid 2015 <sup>(2)</sup>



**Un Chau**  
HK\$66M / late 2014 <sup>(2)</sup>



**Lung Cheung**  
HK\$353M / late 2015 <sup>(2)</sup>



Notes: (1) Recently approved projects  
(2) Estimated total capex / target completion date as at 30 September 2014

# Asset Investment – Acquisition in Hong Kong

## Provide synergistic benefits with existing assets

### Lions Rise Mall

- Allow development of a coordinated retail cluster
- Potential upside
  - improvement in occupancy
  - market reversion
  - district's population growth

	Lung Cheung	Wong Tai Sin	Lions Rise
<b>Positioning</b>	Mid	Mass-mid	Mid
<b>Target Customers</b>	Primary + Secondary Catchment Tourists		Primary Catchment
<b>Shop Types</b>	Mid-range chain stores	Local chain stores and independent boutiques	Mid-range chain stores and specialist boutiques



Note: (1) Source: Wong Tai Sin District Council meeting materials, MTRC

# Asset Investment – Acquisition in Mainland China

## Paving the way for inorganic growth



**Seeking opportunities in Mainland China, initially within Pearl River Delta**

**Diligent project assessment and prudent deal structuring**

### **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



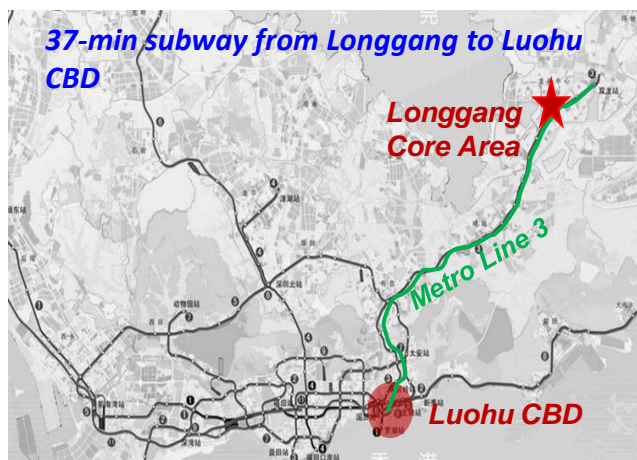
# Asset Investment – Acquisition in Mainland China

## Proposed acquisition of Longgang Vanke Mall



### Signed MOU on 10 Nov 2014 for exclusive due diligence

Target Property	Retail centre, certain street shops and car parks of an integrated mixed-use development
Location	Longcheng Street, Longgang District, Shenzhen
Trade mix	F&B, fashion, leisure and entertainment
GFA	Approximately 100,000 m <sup>2</sup>
Developer	China Vanke Co. Ltd
Opening date	December 2013
Targeted interest in the Property	80% interest with China Vanke as partner



Investment Criteria	Criteria matched?
Retail portion of mixed-used development	✓
Decentralised suburban middle-class district with convenient mass transit network	✓
Income generating properties	✓
Majority owned in JV with strong partner	✓

# Asset Investment – Disposals

## Enhance value by streamlining the portfolio

**Continue to evaluate our portfolio performance**

**Focus management resources on our larger assets**

### **Disposal Criteria:**

- Relatively smaller assets in portfolio
- Lack of synergistic benefits with the rest of our portfolio
- Limited enhancement potential

### **Assets disposed in first half 2014/2015:**

- 9 properties<sup>(1)</sup>
- Total consideration: HK\$2,956M
- Premium to valuation as at 31 March 2014: Approximately 33%

Note: (1) Second batch disposal of 5 properties for HK\$1,716m to be completed on 1 December 2014



### Unit buybacks

- Neutralise future DPU loss from disposals
- Total amount used: HK\$888M
- Units bought back: 19.4 million at average price of HK\$45.6 per unit

### Taken advantage of the low interest rate environment to lock-in low funding costs for longer maturity

- Issued US\$500M 10-year fixed rate notes at 3.6% per annum
- Repaid secured loan of HK\$2B and maturing bank loans of HK\$550M

# Financial and Operational Performance

領匯  
The Link



# Financial Performance

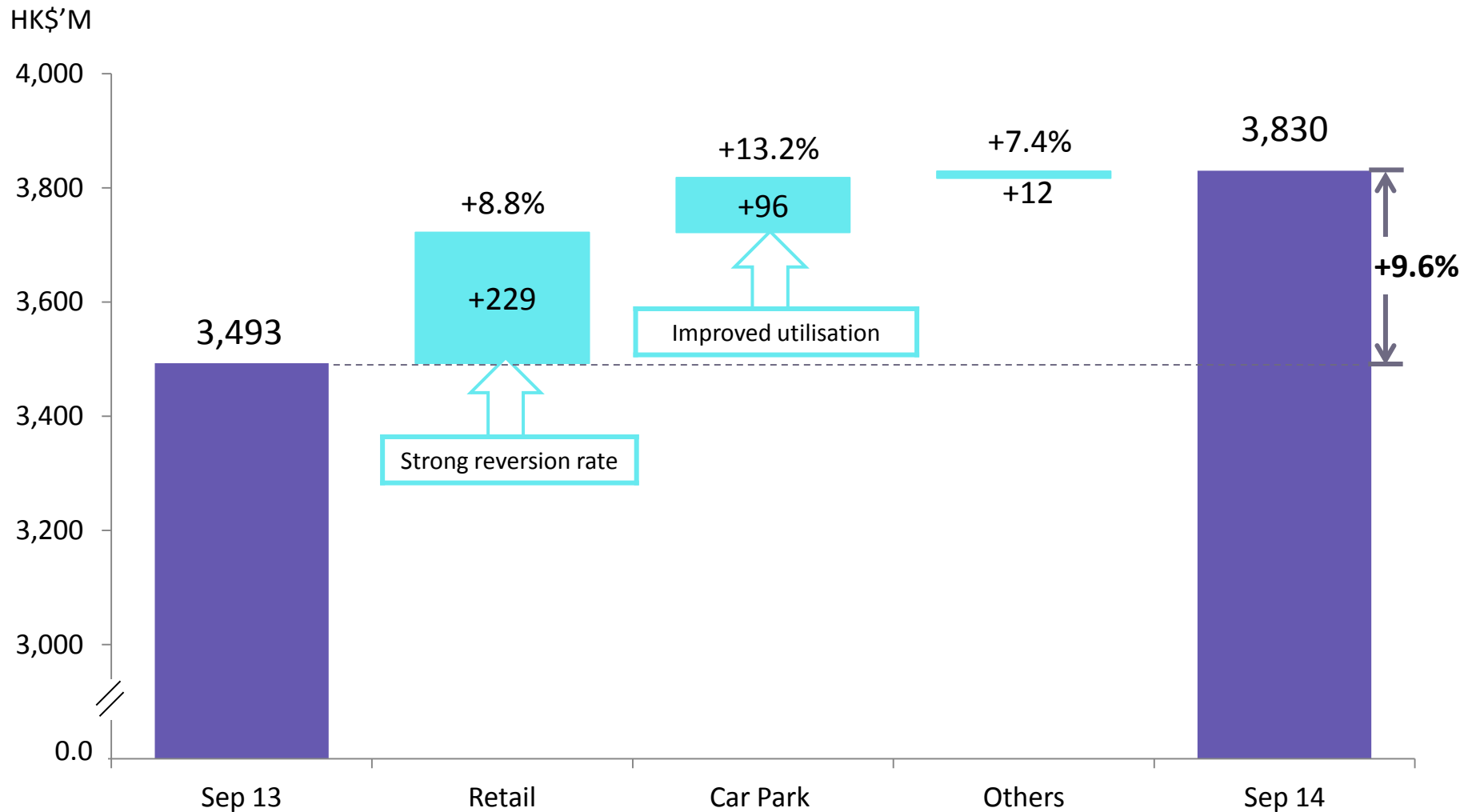
## Solid performance supporting distribution growth

	6 months ended 30 Sep 2014 HK\$'M	6 months ended 30 Sep 2013 HK\$'M	YoY %
Revenue	3,830	3,493	↑ 9.6 %
Net property income	2,783	2,517	↑ 10.6 %
Total distributable income	1,926	1,854	↑ 3.9%
Discretionary distribution <sup>(1)</sup>	128	-	N/A
Total distributable amount	2,054	1,854	↑ 10.8 %
<b>Distribution Per Unit (HK\$)</b>	<b>89.56</b>	80.22	↑ <b>11.6 %</b>
Total distributable amount as a percentage of total distributable income (%)	107%	100%	↑ 7 ppts

Note : (1) The Manager recommended a discretionary distribution relating to the transaction costs incurred for the acquisition of investment property during the period.

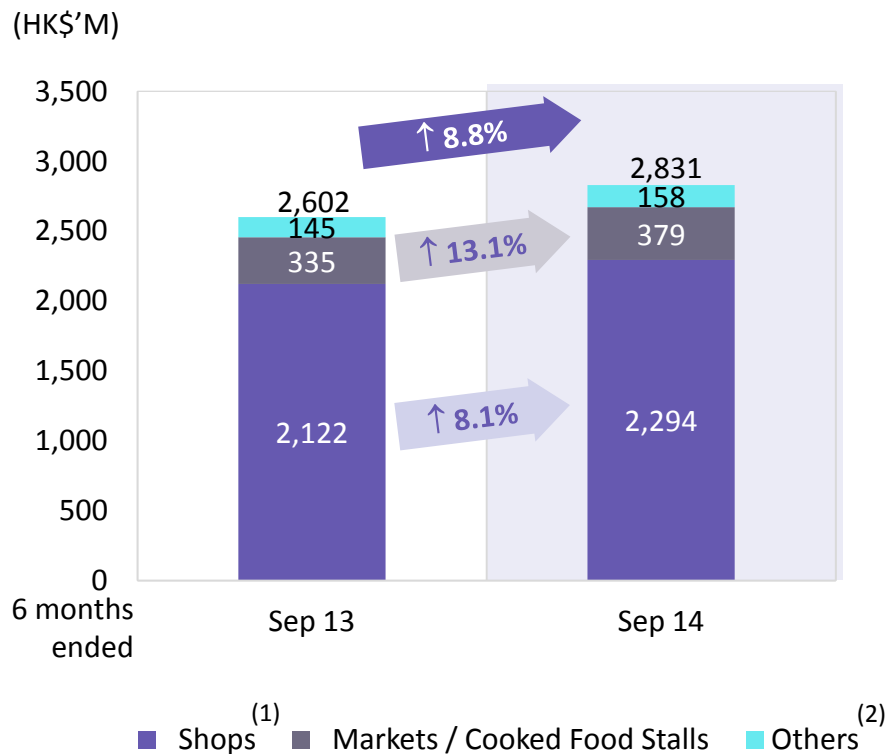
# Revenue Analysis

## Continuous growth in retail and car park revenues



# Retail Income Performance

## Maintaining steady growth



Notes: (1) Rental from shops includes base and turnover rent

(2) Others including education / welfare / office / ancillary & mall merchandising

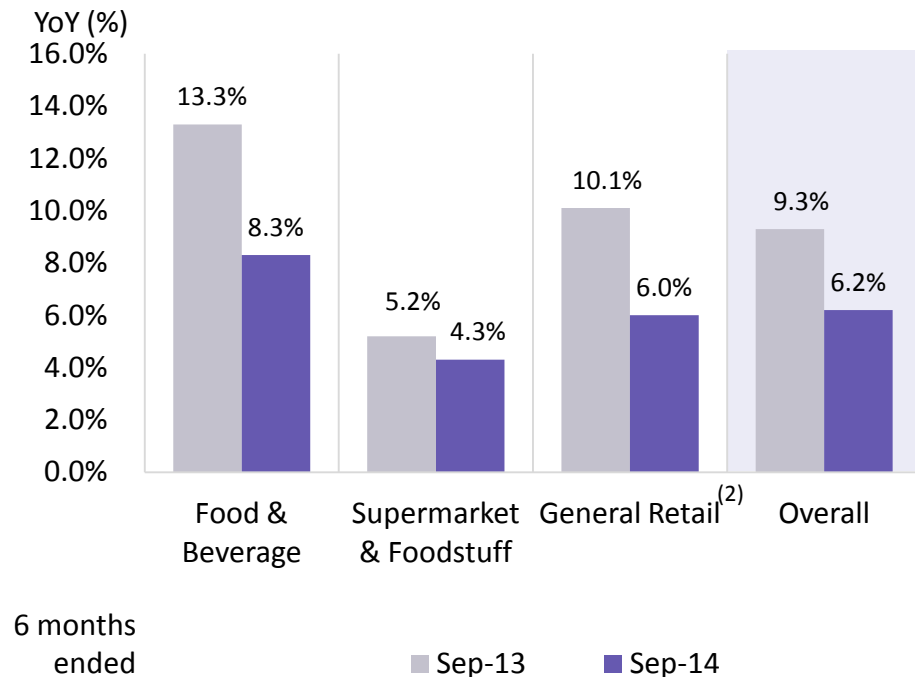
	For the six months ended 30 Sep 2014	For the six months ended 30 Sep 2013
NPI margin (%)	73.2	72.9
Reversion rate (%)	23.6	23.6
	As at 30 Sep 2014	As at 31 Mar 2014
Occupancy (%)	94.4	94.4
Average unit rent (\$)	43.6	42.1



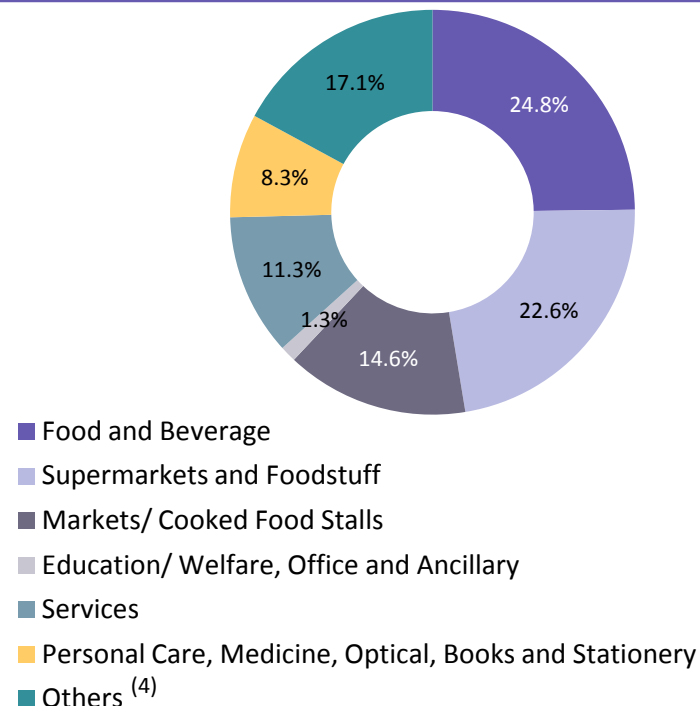
# Tenant Performance

## Resilient growth with majority in non-discretionary trades

### Tenant Gross Sales<sup>(1)</sup>



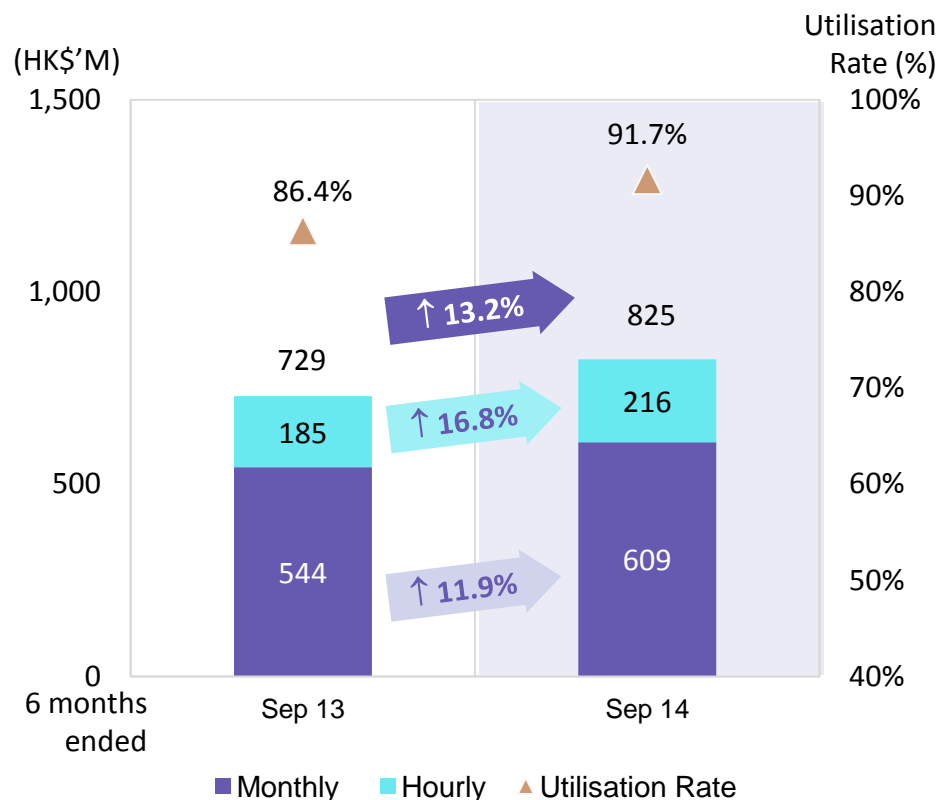
### Retail Trade Mix by Monthly Base Rent<sup>(3)</sup>



- Notes: (1) Percentage figures represent year-on-year change in tenants average monthly sales per square foot of the respective period  
 (2) Including services, personal care, medicine, optical, books and stationery, and items classified under "others" below. See note (4)  
 (3) Percentage figures as at 30 September 2014  
 (4) Including clothing, department stores, electrical and household products, leisure and entertainment, and valuable goods

# Car Park Income Performance

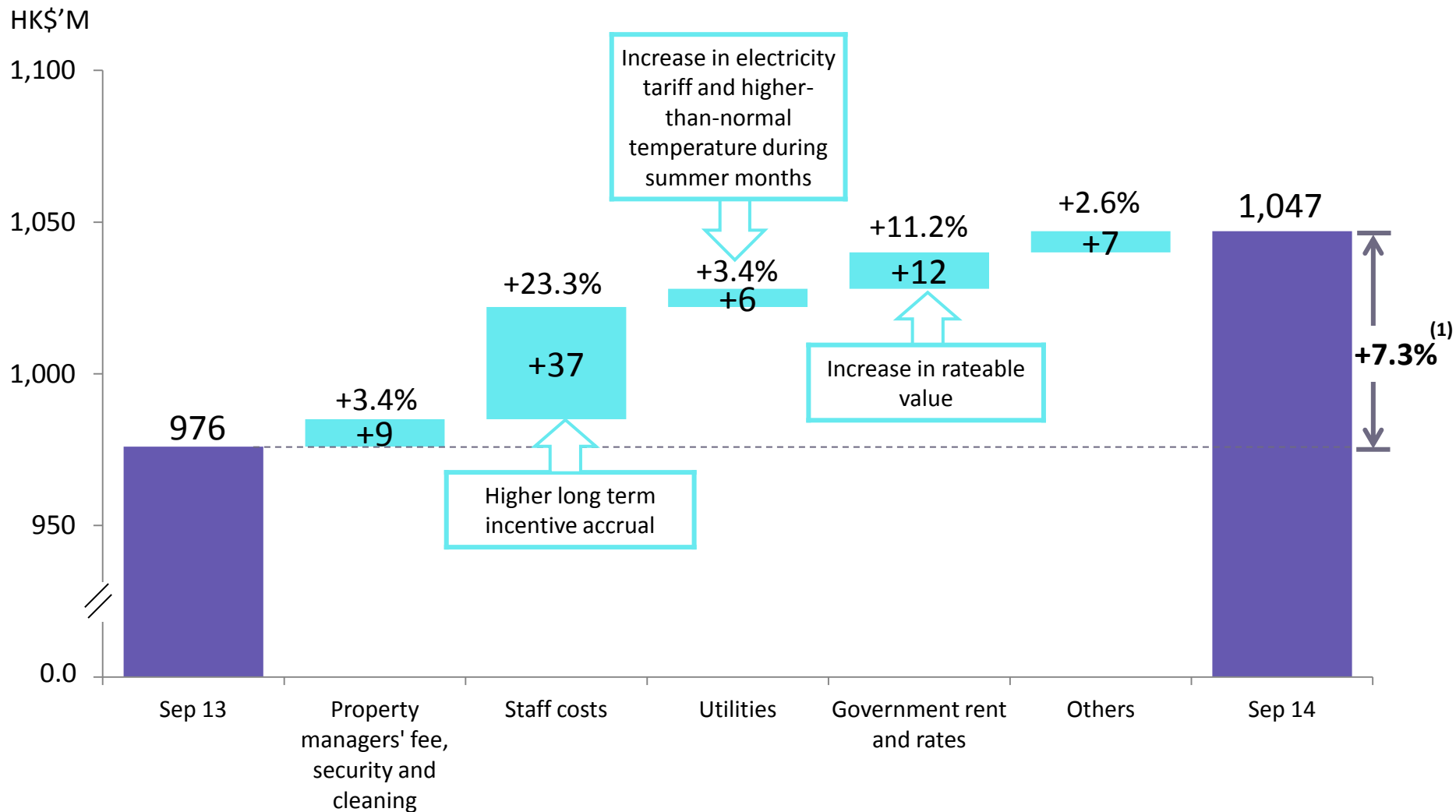
## Strong demand supports growth



	For the six months ended 30 Sep 2014	For the six months ended 30 Sep 2013
NPI margin (%)	70.7	68.8
Car park income per space per month (HK\$)	1,738	1,529
	As at 30 Sep 2014	As at 31 Mar 2014
Utilisation of car park space (%)	91.7	88.1
Average valuation per space (HK\$'000)	294	235

# Property Expense Analysis

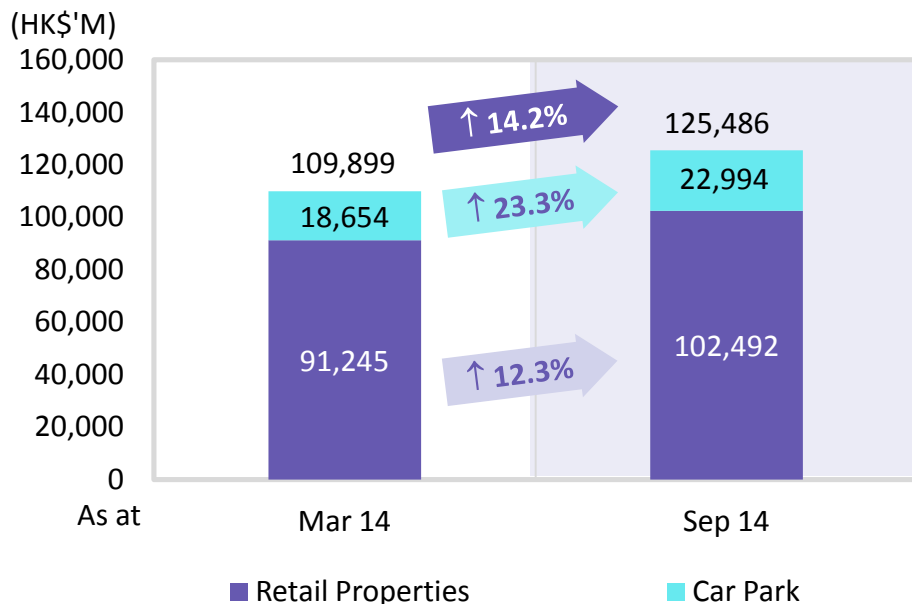
## Continue to reduce expense to income ratio



Note: (1) Increase of 4.8% if long term incentive expense is excluded

# Property Valuation

## Cap rate compression to reflect recent market transactions

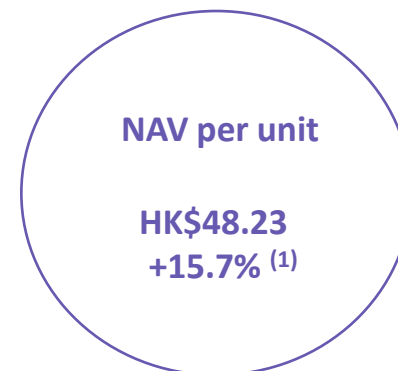


- Robust car park performance and lower cap rates supported value increase
- Average valuation per space of HK\$294K

Retail property value increase contributed by:

- Increase in net property income
- Lowered cap rates for smaller assets

	Weighted average capitalisation rate		
	30 Sep 2014	31 Mar 2014	Change
Retail	4.76%	5.09%	↓0.33ppts
Car Park	5.09%	6.16%	↓1.07ppts
<b>Overall</b>	<b>4.82%</b>	<b>5.27%</b>	<b>↓0.45ppts</b>



Note: (1) Variance as compared to 31 March 2014

# Capital Management

Low funding cost and headroom to support growth initiatives

## Debt Highlights

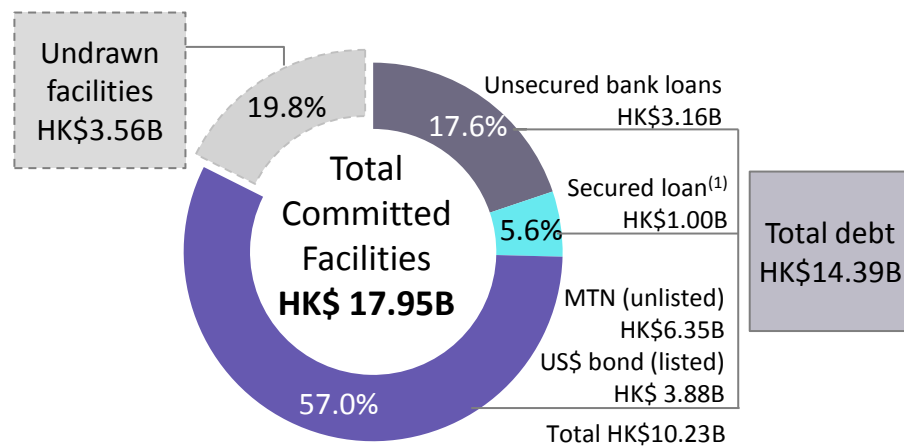
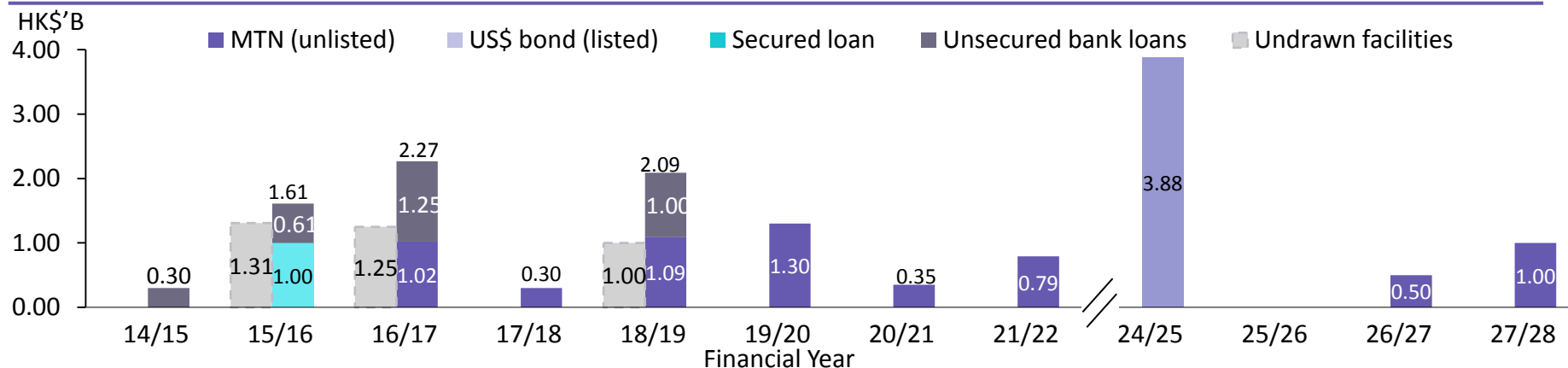
As at	30 Sep 14	31 Mar 14
Gearing	11.0%	11.0%
Average Facilities Maturity	5.2 yrs	3.7 yrs
Fixed Rate Debt/Net Debt	80%	66%
Average Life of Fixed Rate Debt/Swap	7.0 yrs	6.2 yrs
Effective Interest Rate	2.85%	2.77%

## Corporate Credit Rating

Moody's A2 / Stable

Standard & Poor's A / Stable

## Maturity Profile



Notes:

(1) By May 2015, all secured loan will be fully refinanced by unsecured borrowings



領匯 The Link



### Asset Management

- Continue to upgrade and expand tenant mix
- Diligent cost control to increase margin

### Asset Enhancement

- Capitalise on districts with growth dynamics
- Extend pipeline and explore more opportunities for refurbishment and repositioning

### Asset Investment

- Seek opportunities in both Hong Kong and Mainland China
- Expand mandate to capture development opportunities

### Capital Management

- Maintain high credit ratings to access low cost funding
- Prudent approach to mitigate market volatility

**Hong Kong REITs are now allowed to participate in property development activities, with investment size limited to <10% of Gross Asset Value**

**Propose to undertake property development and related activities in respect of developments that contain retail and/or commercial portions, adhering to:**

- Invest in properties for long-term holding
- Focus on properties with sustainable income growth and long-term capital appreciation potential
- Maintain a large and geographically diversified portfolio

**To seek approval from Unitholders in EGM for the amendment of Investment Strategy**

Resilient growth in retail sales of non-discretionary trades in Hong Kong

Large portfolio with high operating leverage provides stable income

Prudent capital management strategy underpins solid base for growth

Disciplined and cautious growth strategy

Consistent performance producing sustainable growth in total return

## Interim Distribution

Distribution period	April 2014 – September 2014
Last day of trading on a “cum” basis	24 November 2014
Ex Distribution date	25 November 2014
Distribution book close	27 November – 1 December 2014 (both days inclusive)
Record date for entitlement to cash distribution <sup>(1)</sup>	1 December 2014
Payment of cash distribution <sup>(1)</sup>	9 December 2014

Note: (1) There is no scrip alternative for this distribution.





恒生指數  
HANG SENG INDEXES

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM



FTSE4Good



G R E S B<sup>®</sup>  
Green Star 2014

Global Real Estate  
Sustainability Benchmark



WE SUPPORT

# Appendix

## Additional Data 1: Income Statement Summary

	6 months ended 30 Sep 2014 HK\$'M	6 months ended 30 Sep 2013 HK\$'M	YoY %
Revenues	3,830	3,493	9.6
Property operating expenses	(1,047)	(976)	7.3
Net property income	2,783	2,517	10.6
General and administrative expenses	(286)	(106)	169.8
Interest income	14	14	0.0
Finance costs on interest bearing liabilities	(169)	(193)	(12.4)
Gain on disposal of investment properties	340	-	N/A
Profit before taxation, change in fair values of investment properties and transactions with Unitholders	2,682	2,232	20.2
Change in fair values of investment properties	14,761	5,211	183.3
Taxation	(411)	(368)	11.7
<b>Profit for the year, before transactions with Unitholders</b>	<b>17,032</b>	<b>7,075</b>	<b>140.7</b>

## Additional Data 2: Distribution Statement Summary

	6 months ended 30 Sep 2014 HK\$'M	6 months ended 30 Sep 2013 HK\$'M	YoY %
Profit for the year, before transactions with Unitholders	17,032	7,075	140.7
Change in fair values of investment properties	(14,761)	(5,211)	183.3
Gain on disposal of investment properties, net of transaction costs	(327)	-	N/A
Other non-cash income	(18)	(10)	80.0
Total distributable income	1,926	1,854	3.9
Discretionary distribution <sup>(1)</sup>	128	-	N/A
<b>Total distribution amount</b>	<b>2,054</b>	<b>1,854</b>	<b>10.8</b>
<b>Distribution per unit (HK cents)</b>	<b>89.56</b>	<b>80.22</b>	<b>11.6</b>

Note: (1) The Manager recommended a discretionary distribution relating to the transaction costs incurred for the acquisition of investment property during the period

## Additional Data 3: Revenue Analysis

	6 months ended 30 Sep 2014 HK\$'M	6 months ended 30 Sep 2013 HK\$'M	YoY %	Percentage contribution 6 months ended 30 Sep 2014 %
<b>Retail rentals:</b>				
Shops <sup>(1)</sup>	2,294	2,122	8.1	59.9
Markets / Cooked Food Stalls	379	335	13.1	9.9
Education / Welfare / Office / Ancillary	73	67	9.0	1.9
Mall Merchandising	85	78	9.0	2.2
<b>Car park rentals:</b>				
monthly	609	544	11.9	15.9
Hourly	216	185	16.8	5.6
<b>Expenses recovery and other miscellaneous revenue:</b>				
Property related revenue <sup>(2)</sup>	174	162	7.4	4.6
<b>Total</b>	<b>3,830</b>	<b>3,493</b>	<b>9.6</b>	<b>100.0</b>

Notes: (1) Rental from shops includes base and turnover rents.

(2) Including other revenue from retail properties of HK\$172 million (2013:HK\$160 million) and car park portfolio of HK\$2 million (2013:HK\$2 million)



## Additional Data 4: Expenses Analysis

	6 months ended 30 Sep 2014 HK\$'M	6 months ended 30 Sep 2013 HK\$'M	YoY %	Percentage contribution 6 months ended 30 Sep 2014 %
Property managers' fees, security and cleaning	276	267	3.4	26.4
Staff costs	196	159	23.3	18.7
Repair and maintenance	102	99	3.0	9.7
Utilities	181	175	3.4	17.3
Government rent and rates	119	107	11.2	11.4
Promotion and marketing expenses	41	45	(8.9)	3.9
Estate common area costs	57	57	-	5.4
Other property operating expenses	75	67	11.9	7.2
<b>Total property expenses</b>	<b>1,047</b>	<b>976</b>	<b>7.3</b>	<b>100.0</b>



## Additional Data 5: Financial Position & Investment Properties

### Financial Position Summary

HK\$'M	As at 30 Sep 2014	As at 31 Mar 2014	As at 30 Sep 2013
Total Assets	129,932	113,466	104,294
Total Liabilities	19,322	17,115	16,382
<b>Net Assets Attributable to Unitholders</b>	<b>110,610</b>	96,351	87,912
Units in Issue (M)	2,293.2	2,310.9	2,310.9
<b>Net Asset Value Per Unit</b>	<b>\$48.23</b>	\$41.69	\$38.04

### Fair Values of Investment Properties

HK\$'M	As at 30 Sep 2014	As at 31 Mar 2014	As at 30 Sep 2013
At beginning of period / year	109,899	95,366	95,366
Acquisitions	1,320	-	-
Additions	403	1,088	410
Disposals	(897)	-	-
Change in fair values of investment properties	14,761	13,445	5,211
At end of period / year	125,486	109,899	100,987

## Additional Data 6: Valuation

	As at 30 Sep 2014	As at 31 Mar 2014	As at 30 Sep 2013
Retail properties (HK\$'M)	102,492	91,245	84,460
Car parks (HK\$'M)	22,994	18,654	16,527
<b>Total (HK\$'M)</b>	<b>125,486</b>	<b>109,899</b>	<b>100,987</b>

### Income Capitalisation Approach – Capitalisation Rate

Retail properties	3.40 – 5.80	4.40 – 6.60 %	4.50 – 6.75 %
Retail properties: weighted average	4.76	5.09 %	5.20 %
Car parks	3.80 – 6.60	4.80 – 7.60 %	5.00 – 8.25 %
Car parks: weighted average	5.09	6.16 %	6.41 %
Overall weighted average	4.82	5.27 %	5.39 %

### DCF Approach

Discount rate	7.50%	7.50 %	7.50 %
---------------	-------	--------	--------

## Additional Data 7: Retail Portfolio by Valuation

	Retail properties valuation HK\$'M	Retail rentals HK\$'M	Average monthly unit rent HK\$ psf		Occupancy rate %	
Retail properties <sup>(1)</sup>	As at 30 Sep 2014	6 months ended 30 Sep 2014	As at 30 Sep 2014	As at 31 Mar 2014	As at 30 Sep 2014	As at 31 Mar 2014
1-10	27,696	717	62.9	60.5	97.7	98.7
11-50	47,761	1,300	47.6	45.1	95.5	95.6
51-100	22,777	667	33.2	32.4	93.4	91.8
Remaining	4,258	134	22.9	23.2	87.8	89.3
Property disposed	n/a	13				
Overall	102,492	2,831	43.6	42.1	94.4	94.4

Note:

(1) Properties ranked by retail valuation as at 30 September 2014. Figures for 2014 exclude four properties disposed in July 2014.

## Additional Data 8: Portfolio Metrics

	As at 30 Sep 2014	As at 31 Mar 2014	Change
<b>Average monthly unit rent (psf pm)</b>			
■ Shops	HK\$ 43.8	HK\$ 42.3	3.5%
■ Overall (ex Self use office)	HK\$ 43.6	HK\$ 42.1	3.6%
<b>Occupancy rate</b>			
■ Shops	96.4%	96.6 %	(0.2ppts)
■ Overall	94.4%	94.4 %	0.0ppts
	<b>6 months ended 30 Sep 2014</b>	<b>6 months ended 30 Sep 2013</b>	<b>YoY Change</b>
<b>Composite reversion rate</b>			
■ Shops	24.1%	22.6 %	1.5ppts
■ Overall	23.6%	23.6 %	0.0ppts
<b>Net property income margin for the period/year ended</b>	72.7%	72.1 %	0.6ppts
<b>Car park income per space per month for the period/year ended</b>	HK\$ 1,738	HK\$ 1,529	13.7%

## Additional Data 9: Lease Expiry Profile

<b>(As at 30 September 2014)</b>	<b>As % of total IFA</b>	<b>As % of monthly base rent</b>
Year 2014/15	15.4	17.7
Year 2015/16	28.6	30.3
Year 2016/17 and Beyond	45.9	47.6
Short-term Lease and Vacancy	10.1	4.4
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

## Additional Data 10: Key Credit Metrics by Rating Agencies

	As at 30 Sep 14 <sup>(3)</sup>	As at 31 Mar 14 <sup>(4)</sup>	S&P (A / Stable)	Moody's (A2 / Stable)
Total debt / total assets	11.0%	11.0%	N/A	< 30%
Debt / debt and equity <sup>(1)</sup>	9.5%	9.8%	< 35%	N/A
FFO <sup>(2)</sup> / debt (annualised)	35.3%	39.3%	> 15%	N/A
EBITDA interest coverage	14.7x	12.6x	N/A	> 3.5x
Total debt / EBITDA (annualised)	2.8x	2.5x	N/A	< 5.0x

Notes: (1) Equity is equal to net assets attributable to Unitholders

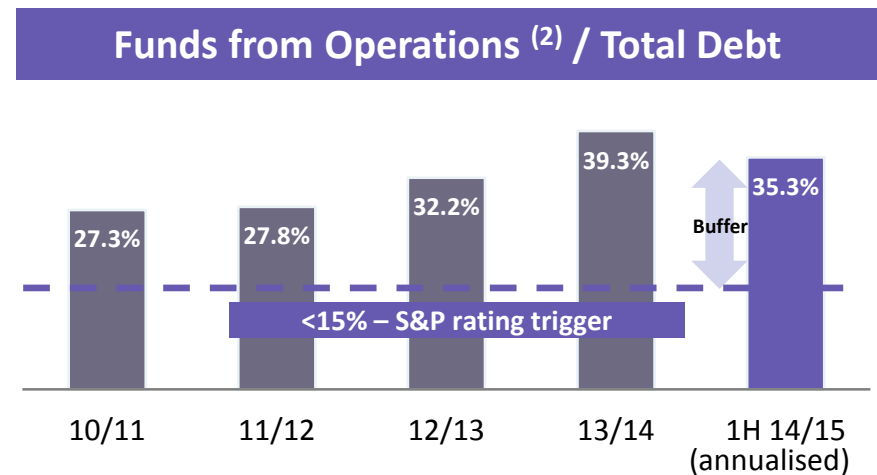
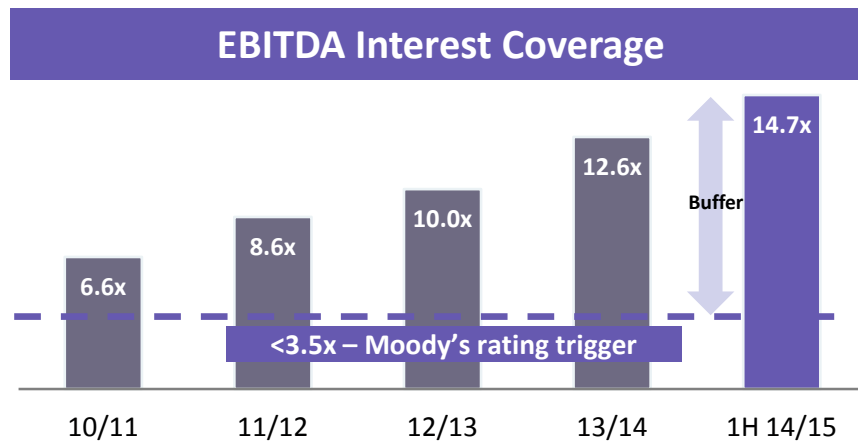
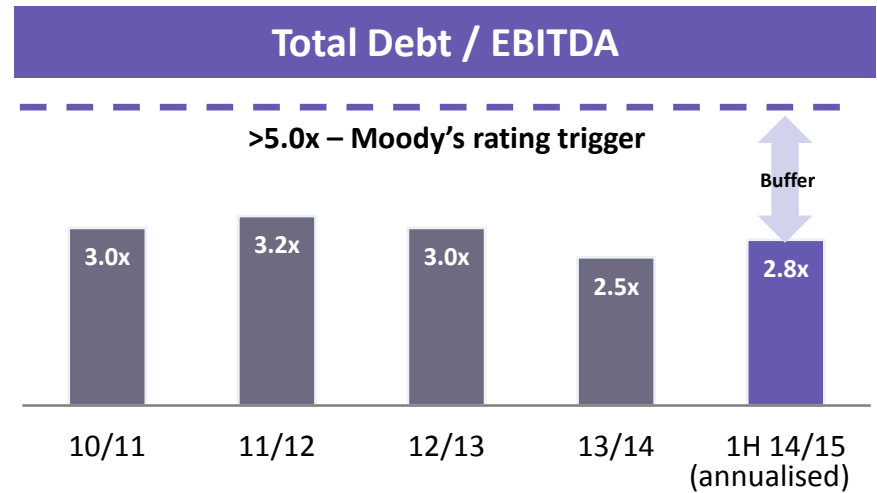
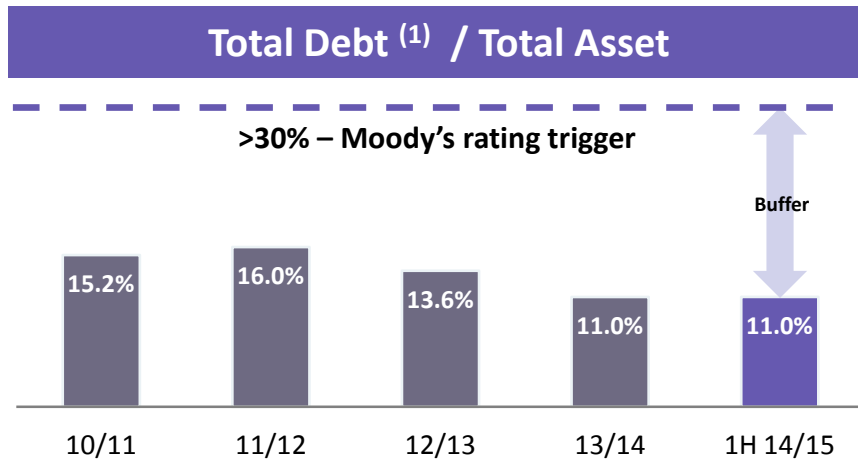
(2) Funds from operations is calculated by net cash generated from operating activities with adjustments for operating lease expense, interest expenses and income

(3) Ratios are yet to be confirmed by rating agencies

(4) Ratios are based on reports of rating agencies



# Additional Data 11: Credit Profile – Strong Credit Metrics



Notes:

(1) Total Debt is calculated as Short Term Borrowings + Long Term Borrowings

(2) Funds from Operations is calculated by net cash generated from operating activities with adjustments for operating lease expense and interest

## Additional Data 12: Credit Profile – Credit Ratings

### A2 / Stable



- ✓ Resilience to economic downturns
- ✓ Demonstrated track record in enhancing asset quality
- ✓ Diversified tenant base
- ✓ Cautious growth strategy
- ✓ Low debt leverage and good financial flexibility
- ✓ Strong liquidity profile

\* Moody's ratings report as of 29 September 2014

### A / Stable



- ✓ Good market position and sizable portfolio of retail assets in Hong Kong
- ✓ High operating stability
- ✓ Consistently improving profitability through asset enhancement and good cost control
- ✓ Lower asset quality and operating margins compared with global peers
- ✓ Concentration of properties in Hong Kong

\* S&P ratings report as of 30 July 2014

- This document has been prepared by The Link Management Limited in its capacity as the Manager (the “Manager”) of The Link Real Estate Investment Trust (“The Link REIT”) solely for use at the presentations/meetings held in connection with the 2014/2015 Interim Results announcement and may not be reproduced or redistributed without permission. Neither this document nor any copy may be taken or transmitted into or distributed, directly or indirectly, in the United States or to any U.S. person (within the meaning of Regulation S under the United States Securities Act of 1933, as amended). Neither this document nor any copy may be taken or transmitted into or distributed or redistributed in Canada or to the resident thereof. The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. By attending this presentation/meeting, you are deemed to agree to be bound by the foregoing restrictions and represent that you have understood and accepted the terms of this disclaimer. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.
- All information and data are provided for reference only. All opinions expressed herein are based on information available as of the date hereof and are subject to change without notice. The slides forming part of this document have been prepared solely as a support for oral discussion about The Link REIT. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or suitability of any information or opinion contained herein. None of The Link REIT, the Manager, or any of its directors, officers, employees, agents or advisors shall be in any way responsible for the contents hereof, nor shall they be liable for any loss arising from use of the information contained in this presentation or otherwise arising in connection therewith.
- This document may contain forward-looking statements. The past performance of The Link REIT is not necessary indicative of the future performance of The Link REIT and that the actual results may differ materially from those set forth in any forward-looking statements herein. Nothing contained in this document is, or shall be relied on, as a promise or forecast as to the future.
- This document does not constitute an offer or invitation to purchase or subscribe for any securities of The Link REIT and neither any part of it shall form basis of or be relied upon in connection with any contract, commitment or investment decision whatsoever. No action has been taken or will be taken by The Link REIT, the Manager or any of its directors, officers, employees, agents or advisors, to register this document as an offering document or otherwise to permit public distribution of this document.