

CB(1) 1015/08-09(01)

The Clerk to Panel on Housing
Legislative Council
3rd floor, Citibank Tower,
3 Garden Road, Hong Kong
(Attn.: Miss Becky Yu)

Fax & Mail10th March, 2009

Dear Ms. Yu,

**Panel on Housing
Follow-up to Meeting on 16 December 2008**

Thank you for your letter dated 9 January 2009 to our Chief Executive Officer to follow-up on the captioned meeting. We appreciated the opportunity to take part in the constructive discussion with Panel members that afternoon, the distinguished views would be cautiously considered by The Link in future business planning and management endeavours as appropriate and practicable.

As illustrated in our previous submission and presentation at the meeting, The Link's interests are aligned with those of our tenants and communities. It is our primary investment and business strategy to generate a better retailing and shopping environment for our stakeholders with a view to enhancing our portfolio value in return.

The asset enhancement programme underway is expected to deliver upgraded and improved shopping experiences to our customers for the selected shopping centres. To ensure successful enhancement of the investment properties for retail vibrancy and sustainability, the management's approach towards asset repositioning is to undertake research to gauge shoppers and catchment residents' views so that the optimal leasing strategy and trade-mix plan for individual malls could be determined to satisfy our customers' spending appetite. Customers' positive feedback to our renovation initiatives, as surveyed by independent agents over the past few years, affirms the success of our asset enhancement programmes.

As renovation works are in progress, some tenants would inevitably be affected and, subject to negotiation for viable and mutually-agreed commercial arrangements, referred to other possible locations to continue their business. Notwithstanding this, the overall retention

rate of the portfolio remains high. The retention rate of the portfolio since the listing of The Link REIT is set out in Appendix.

Serving the daily needs of local communities has been a paramount function of The Link's shopping centre. To this end, The Link has retained the broad trade categories offered by the portfolio in the course of improving trade mix based on the preference of shoppers and catchment residents as reflected in research questionnaires, so that resulting trade-mix and tenant choices coincide with shoppers' spending pattern and affordability – thereby ensuring business sustainability of our tenants and the retail portfolio.

While information regarding change in commodity price levels before and after retail improvement programmes has not been collected in the past, the market believes that commodity prices are affected by the dynamics of various macro and micro factors; improvement of overall retail ambiance and provision of higher quality goods and services are just two of them. In fact, based on the results of a pricing survey commissioned by an independent researching institute in July 2008, commodity price levels for 12 selected shopping centres of The Link are roughly the same as counterpart retail facilities in their respective districts. We will continue to uphold the existing practice to review shoppers' spending preference and affordability in the course of retail planning.

Over the past few years, The Link has been adopting a business partnering approach with our tenants with a view to sustaining mutual growth and development for the attainment of business co-prosperity in the long run. We will continuously work on such established principles during this critical moment to Hong Kong. In particular, our professional team will continue to build on the achievements to further create long-term and sustainable value for our tenants, shoppers and the community at large.

Yours sincerely,



L K Lam
Director (Corporate Communications & Strategy)

Encl.

cc:

Mr. Nicholas Robert SALLNOW-SMITH	- The Link Management Limited (Chairman)
Mr. Ian David Murray ROBINS	- The Link Management Limited (Chief Executive Officer)
Mr. Hon WONG Kwok-Hing, MH	- Panel on Housing (Chairman)

Summary of the Overall Retention Rate of The Link Retail Portfolio since IPO

Period	Retention Rate
25 Nov 2005 - 31 Mar 2006	93.4%
1 Apr 2006 - 31 Mar 2007	78.7%
1 Apr 2007 - 31 Mar 2008	71.9%
1 Apr 2008 - 30 Sep 2008	76.3%

Note: The retention rate is affected by the progress of asset enhancement programmes at various shopping centres, which however does not include retention of affected tenants at a relocated premises

Source: Annual Reports, The Link Real Estate Investment Trust