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The Link Management Limited 領匯管理有限公司

Manager of The Link REIT

Victor H.W. So MBE JP
蘇慶和
 Chief Executive Officer
 行政總裁

The Clerk to Panel on Housing,
 Legislative Council Secretariat,
 Legislative Council Building,
 8 Jackson Road, Central,
 Hong Kong.
 (Attn : Ms Connie Szeto)

<i>By fax and despatch</i>

Fax : 2869 6794
 Your Ref. : CB1/PL/HG

4 April 2007

Dear Ms Szeto,

Meeting of Panel on Housing on 13 April 2007

I refer to your letter dated 15 February 2007. Our reply to the various issues raised by members as stated on your letters dated 8 December 2006 and 12 January 2007 is as follows.

Since the listing of The Link REIT, we have been committed to developing our portfolio's optimal potential, with reference to unique characteristics of individual properties. In keeping with our commitment, we will continue to bring more shopping and leisure choices to cater to our customers' needs and preferences, and create more job opportunities for the neighborhood.

Asset Enhancement Work

Asset enhancement work, a key business initiative encompassing improvements in trademix and the physical structure, has been very well-received. According to independent opinion surveys conducted on our asset enhancement projects in June and September 2006 by the Hong Kong Polytechnic University's Centre for Social Policy Studies, 90% of interviewees believed our works have benefited nearby residents; 89% said prices of goods available from tenants are affordable; and 83% wanted those enhancements in more of our shopping centres. These findings are encouraging. Asset enhancement is an on-going exercise. We will continue to progressively enliven our properties to keep pace with customers' evolving demands.

Leasing-related Matters

For the latest six-month financial results reporting period, occupancy rate for our overall portfolio increased by 1.3 percentage points to 92.3% over the preceding reporting period, as 150,000 sq.ft. of previously vacant retail spaces have been taken up by tenants, thanks largely to our proactive leasing strategy and improvements in business environment attributable to a recovering economy. It is also estimated that at least 800 additional jobs have been created by these new businesses opening in our properties.

HEAD OFFICE

4/F, Wong Tai Sin Shopping Centre Multi-Storey Car Park Building
 Lower Wong Tai Sin Estate, Sha Tin Pass Road, Kowloon
 九龍沙田坳區黃大仙下邨黃大仙中心多層停車場大廈4樓

Tel (852) 2175 1800
 Fax (852) 2175 1900

www.thelinkmanagement.com

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In general, tenancy matters have been handled with due respect to spirit of the contract and in accordance with normal commercial considerations. Where there are plans for refurbishment and renovation works, we may, in some cases, enter into short-term arrangements with tenants so as to enable them to serve in the same shopping centre until renovation work commences, thereby minimizing inconvenience to tenants and shoppers. This arrangement is in line with common market practice.

Averaging 8.3% in the aforementioned reporting period, our rental reversion rates vary from case to case depending on tenants' own circumstances. Selected cases may record relatively higher renewal rent increase mainly because the original rent was substantially below market level due to rent reductions previously granted during economic downturn and SARS period. In keeping with our rent-setting principle of "value for rent", rents are set or adjusted with reference to circumstances of each case. This principle also applies to medical clinics.

"Medical Zone" Concept

As part of our efforts to enhance our shopping centres, we are in the process of developing the "medical zone" concept for a handful of properties offering suitable conditions for such facility. Conceived from the service user's perspective, the concept seeks to offer greater convenience to the public with one-stop access to medical, dental and other related services such as laboratory, in a self-contained and integrated service facility.

Generally speaking, depending on the actual environment, the proposed Medical Zone will adopt as many of the following features as possible

1. One-stop shop for medical service
2. Standalone ventilation system
3. Dedicated Washrooms
4. Waiting lobby
5. Easy accessibility
6. Possibility for extension of service hours

For instance, the 3rd floor of Lung Cheung Mall, as mentioned in your letter, is a feasible location for such facility. As part of the shopping centre, it is easily accessible via elevators from each floor of the mall. Preliminary leasing feedback has been encouraging. Meanwhile, we will keep on our communications with parties concerned and take into account the feasibility of layout design and customers' needs in arriving at a decision for any specific plans.

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Corporate Citizenship

As a manager of these properties, we attach great importance to good corporate citizenship. We have been pursuing initiatives aiming to serve the community. For example, we are committed to serving the public by designating 8% of our total retail floor area for leasing at concessionary rent by non-profit making organizations, such as welfare and educational groups. Should the needs arise, we are willing to discuss with these organisations and examine the feasibility of letting additional space at reasonable rent.

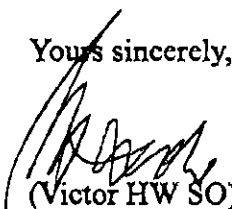
In addition, we regularly grant community groups rent-free access to our promotion venues, thereby facilitating them to host a great number of worthwhile community events in our shopping centres. These events promote community well-being by various means including raising funds for the needy, advancing civic education, enriching cultural life and increasing health and environmental awareness. We were recently presented with the "Devoted Sponsorship and Promotion Award" by Social Welfare Department, in recognition for our efforts in this area. In partnership with social service and environmental groups, we have also organized a number of promotional events to support charitable causes, an example being donating to charitable organizations promotional events' income before expenses. With the team slogan "Contribute To Our Society, Together For Charities," our staff volunteer team also extends our care to the needy in the community.

Most importantly, our improvement initiatives have started to progressively rejuvenated our properties and hence, enlivened the neighbourhood. Over 80% of those responding to the above-mentioned opinion surveys by the Hong Kong Polytechnic University agree that our asset enhancement project has brought greater convenience to nearby residents, and contributed to the neighbourhood's economic vibrancy and beauty. We have also recently pledged our full support to the "Wage Protection Movement" launched by the government.

We thank you for inviting us to attend LegCo Panel on Housing meeting on 13 April, 2007. As I stated at the joint meeting of the Panel on Housing and Panel on Manpower on 5 June 2006, we always handle leasing-related matters along prudent commercial principles. We hope you understand that rental adjustments being matters between our company and tenants, it is inappropriate for our company to publicly discuss related matters and individual cases in details.

The Link REIT's sizeable property portfolio spans over various districts across the territory, with tenants engaging in a wide range of business. Our professional team at The Link will continue to build on its successes, and to create value for our shoppers, tenants, investors and the community.

Yours sincerely,



(Victor HW SO)
Chief Executive Officer

cc : Hon Lee Wing-tat (Chairman, Panel on Housing, Legislative Council)
Mr Vic Yau (Housing, Planning and Lands Bureau)