

The Link Management Limited 領匯管理有限公司

Manager of The Link REIT

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**Ian Robins**  
羅爾仁

Executive Director &  
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執行董事兼  
行政總裁

Attn: Ms. Becky Yu  
Clerk to Panel on Housing

2<sup>nd</sup> November 2009

Dear Ms. Yu,

**Panel on Housing**  
**Follow-up to Meeting on 28 September 2009**

We refer to your letter dated 12 October 2009 to follow-up on the captioned meeting. We appreciate the opportunity to elaborate on our business strategies and various initiatives to Panel members at the meeting, as well as to exchange views with members during the constructive discussion that morning.

As illustrated in our previous submission and presentation at the meeting, we recognize The Link's commercial interests are aligned with our tenants and local communities. It is our primary investment and business strategy to provide a better retailing and shopping ambience for our stakeholders that ensures a long-term balance between a sustainable shopping environment for our retailers and the communities, as well as value-growth of The Link for our investors.

Specifically, one of our primary business initiatives is to enhance the portfolio value through repositioning and structural improvements to the property assets. The Link has been and will be continuing to invest significant capital and dedicate professional expertise in enhancing the overall success of a number of selected shopping centres under the asset enhancement programme.

To ensure the successful upgrading of the investment properties for improved retail vibrancy and sustainability, the management's approach towards asset repositioning is to undertake research to gauge shoppers and catchment residents' views so that a balanced leasing strategy and trade-mix plan for individual malls could be determined to satisfy our customers' preferences and spending appetite. Customers' positive feedback to our renovation initiatives, as surveyed by independent consultants, as well as trading performance affirms the success of our asset enhancement programmes.



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Specific areas of interests amongst Panel members during the meeting are recapped as follows –

1. Management fee of Common Areas in Housing Estates (ECA)

As explained at the Panel meeting, The Link understands its responsibilities in managing and operating the divested retail and carpark facilities as stipulated under the Deeds of Mutual Covenants (DMC) of concerned housing estates. Amongst those, working with our partner, the Hong Kong Housing Authority to manage common areas, including the periodic payment of ECA management fees on-time, is fully recognized. The administrative delay in processing the same in the previous few months is not expected to occur in the future.

We have arranged for direct payment of all ECA management fees to respective ECA accountant's bank account on the first working day of each month with effect from 1<sup>st</sup> November 2009. We trust that our proactive and genuine endeavour would alleviate public concerns on this front.

2. Compliance of Fire Safety Ordinance

Since listing, The Link has been in liaison with relevant Government departments and authorities in carrying out necessary works required under the Fire Safety (Commercial Premises) Ordinance. We have set up a dedicated team in-house to implement the projects at individual shopping centres. Quarterly meetings are held with Fire Services Department and Buildings Department to keep track of the progress and we are now implementing the works in accordance with a time-table that complies with the requirements of the Ordinance and consented by both Government departments with reference to practicality based on the operating environment of individual shopping centres. The Link has prepared a programme to complete the works of 9 projects within Year 2009/10, with all the projects across the portfolio completed in phases by Year 2015/16. Please rest assured that The Link does / will not have any intention to delay actions in this respect.

3. Public Open Spaces in The Link Portfolio

The Link has been allocating resources to repair, maintain and improve public recreational facilities within the portfolio on an on-going basis for the sake of safe and quality provision of the same for better enjoyment by catchment communities. Their temporary closure due either to low user demand, safety concerns, or pending completion of upgrades during the improvement and maintenance period is inevitable.

We have reviewed the maintenance schedule of the concerned 19 recreational facilities temporarily closed as at last meeting. We advise that 12 of these facilities are now open as at end-October 2009. Repair works are at present being undertaken to the remaining 7 and will be completed as soon as practicable. Nevertheless, as acknowledged by the Panel, fair wear and tear, obsolesces, vandalism or concern for safety all necessitate the repair and maintenance programme an on-going endeavour. Accordingly, temporary closure of dilapidated facilities with a view to prompt affixing and repair would still be expected in the portfolio.



#### 4. Loading and Unloading at The Link Carparks

We have previously revised the duration of 30-minute free parking for loading and unloading purposes at 21 carparks based on case merits so as to balance the business needs of drivers and good suppliers and that for The Link to improve the operational efficiency and management standard of individual carparks. Having listened to concerns raised, our Carpark Management team has considered different opinions for each individual carpark. Upon review, the concerned free parking duration of 7 carparks have been resumed to the historical 30-minute period, while an extension to 20 minutes has been arranged at the remaining 14 carparks. Management will continue to monitor demand and usage across these 21 carparks to achieve a reasonable balance.

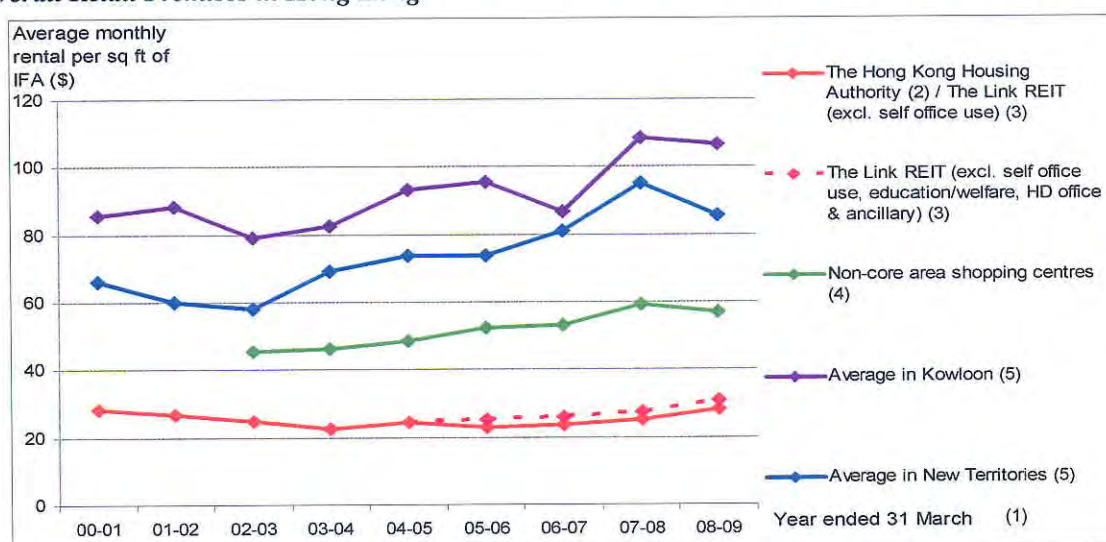
#### 5. Rental Analysis, Leasing Strategies and Trade-mix

Over the past few years, overall average rental of The Link portfolio has remained reasonable – \$30.9 per square foot as at end-March 2009 (or \$28.4 per square foot upon exclusion of offices and welfare use). The results for September 2009 will be announced to the market during November. We can update the table for the six-month period when the data is released. Key performance indicators of the portfolio area presented as follows -

##### **Key Portfolio Data**

	Year Ended Mar-08	Six Months Ended Sep-08	Year Ended Mar-09
Average Monthly Base Rent (HK\$ psf)			
- excluding self use office	25.4	26.8	28.4
- excluding self use office, education/welfare, HD office and ancillary	27.7	29.3	30.9
Reversion Rate (%)	22.5	25.7	25.2
Vacancy Rate (%)	10.7	12.4	12.6
Retention Rate (%)	71.9	76.3	72.9

##### **Rental Levels of Commercial Area under the Hong Kong Housing Authority / The Link REIT vs Overall Retail Premises in Hong Kong**



Note:

- (1) As at financial year ended 31 March (period-end)
- (2) Figures (00-05) from the Hong Kong Housing Authority
- (3) Figures (05-09) are based on average monthly base unit rent from The Link REIT
- (4) Unit rent for shopping centres in non-core area (as at end-Jun) from Knight Frank
- (5) Average unit rent in Kowloon and New Territories are figures from Rating and Valuation Department



Rental for individual shops varies according to factors like location, size, trade, etc. Keeping with our rent-setting principle of “value for rent”, rents are set or adjusted with reference to circumstances of each case.

In our continuing attempts to provide affordable daily necessities and spending varieties for our shoppers and catchment residents, an improved and balanced trade-mix is always accorded with priority. Over the past few years, The Link has been addressing the trade-mixes of different shopping centres in accordance with consumption preference, spending appetite and affordability of customers. It has been our commercial principle to adopt a partnering approach with our tenants – from general retail to food and beverages, from personal care to professional clinical service - to sustain mutual growth and attain co-prosperity in the long run. Various initiatives have so far been introduced to continuously improve retail ambiance across The Link shopping centres, thereby attracting more patrons and creating more vibrant business opportunities to tenants of diversified industry-orientation. The table analyzes the trade-mix for the portfolio over the past 3 years. We will continue with our conscious endeavours on this front.

*Trade-mix Analysis of The Link REIT as at Financial Year End 2007-2009*

	% of Leased IFA		
	2007	2008	2009
F&B	31.9%	32.2%	31.0%
Supermarket and foodstuff	17.4%	17.6%	18.4%
Department store	1.8%	1.6%	1.7%
Clothing, footwear and allied products	3.5%	3.3%	3.0%
Electrical and household products	6.7%	6.5%	5.8%
Personal care, medicine, valuable goods, optical, books & stationery	5.6%	5.7%	6.0%
Services	8.9%	8.9%	9.3%
Leisure and entertainment	1.1%	1.0%	1.0%
Others	3.1%	3.5%	4.8%
SOSC ( <i>Single operator shopping centre</i> )	0.8%	0.7%	0.7%
SOM ( <i>Single operator market</i> )	2.8%	2.9%	3.1%
Market stalls	4.3%	4.1%	4.2%
Cooked food stalls	1.0%	1.0%	1.1%
Education/Welfare organisations	8.9%	8.9%	8.8%
HD office and ancillary	2.2%	1.9%	1.3%
<b>Overall</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



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In addition, our unfailing support to social welfare and community services is best illustrated by the provision of some 850,000 sq. ft. (about 8%) of internal floor area at concessionary rates under the welfare covenant signed with HKHA. There are over 150 non-governmental organizations (NGOs) which have been serving catchment communities since our IPO in 2005 and witnessed the renovation and enhancement gone through by the portfolio in the past few years. Moreover, we have been dedicated to assisting NGOs and charitable bodies to launch different community activities through the provision of venues free to charge. In year 2008/09, a total of about 3,400 activity days have been assigned for this purpose. These, together with the series of community care programmes designed for different target groups all along, have won The Link a number of prizes and awards in corporate social responsibility arena.

Summary

The Link is dedicated to continuously improving the service quality and management standard of our retail and carpark facilities. This is evident by the implementation of direct management approach across the portfolio with effect from 1 November 2009. One of the positive and proactive changes is the creation of new in-house positions, entitled "Relationship Managers", who are experienced and seasoned property management professionals designated to specialize in enhancing relationship-building endeavours with different groups of stakeholders at the local level so as to facilitate effective communications and conducive to exchange of opinions on various issues concerning the management of The Link shopping centres within catchment communities.

This, together with our intention to attend Panel meetings on a periodic basis in the future, seeks to improve the communities with Panel members, and ensure a more transparent and appropriate understanding of our business strategies and various initiatives by the public at large.

Once again we thank you for the opportunity to attend the captioned Panel meeting, and will continue to attend future meeting discussions.

Yours sincerely,



Ian Robins  
Executive Director and Chief Executive Officer

c.c. Hon. WONG Kwok-hing, MH, Chairman of Panel on Housing  
Secretary for Transport and Housing (Attn: Mr. LEE Sheung-yuen)