

The Link Management Limited 領匯管理有限公司

Manager of The Link REIT

9 April 2010

Ms Becky Yu  
Clerk to Panel on Housing  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central - Hong Kong

**Panel on Housing – Discussion paper for meeting on 16 Apr 2010**

Dear Ms Yu,

I refer to your letters dated 4 February and 2 March 2010 inviting the attendance of The Link Management Ltd. (The Link) to a Panel meeting to be held on Friday, 16 April 2010.

Thank you for your invitation and we are pleased for this opportunity to share with you our business strategies and updates, and to listen to Members' feedback.

To facilitate the Panel discussion, we have prepared the enclosed discussion paper.

The representatives from The Link's senior management look forward to meeting you and members of the Panel on 16 April 2010.

Yours sincerely,



Ian Robins  
Executive Director and CEO  
The Link Management Limited



George Hongchoy  
Executive Director and CFO  
The Link Management Limited

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## Discussion paper for meeting on 16 Apr 2010

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

- As explained at the Panel meeting in September 2009, 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 (HKHA) to manage common areas, including the periodic payment of ECA management fees on-time, is fully recognized.
- We have arranged for direct payment of all ECA management fees to respective ECA bank accounts on the first working day of each month with effect from 1st November 2009. We trust that our proactive and genuine endeavour would alleviate public concerns on this front.
- We understand there are no overdue ECA management fees owing since November 2009.

### 2. Progress of Transfer of Legal Title

- As at 31 March 2010, transfer of titles of 153 divested properties have now been effected.
- The Link is in continual dialogue with HKHA regarding the timely transfer of remaining property titles which is scheduled for completion by mid 2010.

### 3. Asset Enhancement initiatives

- Thirteen enhancement projects have now been completed, with impressive results including:
  - improved facility layout and physical structure (e.g. escalators, bridges, corridors and lightings etc) so as to enhance customer flow, improve shop visibility and accessibility;
  - modern, lively and comfortable interiors;
  - better planned trade mix to bring in diversified quality choices and increase the traffic flow of the shopping centres; and
  - strengthened customer services and diversified promotion activities to enhance shopping atmosphere.

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- Seven asset enhancement projects will be completed in FY2009/10. Capital expenditure of HK\$2,684 million will be invested in our properties in the future.
  - Customers' positive feedback to the renovation initiatives, as surveyed by independent consultants after project completion, as well as trading performance affirms the success of these asset enhancement programmes.
  - Highlights from recent independent customer opinion surveys on asset enhancement initiative are as follows:

*Wo Che Plaza*

- The renovation is successful in attracting customers outside the primary catchment, with about 50% of the respondents being customers living outside nearby estates and residential blocks. Among them, 62% came by public transportation and 19% drove cars.
- 97% of the respondents have either increased or maintained their visit frequency. 76% of the respondents currently visit Wo Che Plaza at least once a week; 14% are new Wo Che Plaza visitors.
- 94% of the respondents agree that Wo Che Plaza now offers better shopping environment. More than 80% of the respondents find that Wo Che Plaza can offer them with more diversified retail mix and F&B choices.

*Tai Wo Plaza*

- 83% of the respondents said the environment inside Tai Wo Plaza is more comfortable after renovation.
- 78% of respondents are more satisfied with Tai Wo Plaza after renovation.
- 67% of respondents said that the variety of food and beverages have improved after renovation, whereas 59% agreed variety of shops and stores is better.

*Wong Tai Sin Plaza*

- Shoppers visit Wong Tai Sin Plaza much more often after the renovation, with 16% of shoppers increasing their frequency of visits after renovation.
- 78% of respondents are more satisfied with Wong Tai Sin Plaza after renovation.
- 78% of respondents agree that environment inside Wong Tai Sin Plaza is more comfortable.

*Tin Yiu*

- After renovation, respondents increase their frequency of visit to 18 times a month from 16 times before renovation, an increase of 13%.

- Respondents are also staying longer, with length of stay per visit increasing from 34 minutes before renovation to 44 minutes after renovation.
- 83% of respondents are satisfied with the renovated Tin Yiu Shopping Centre, representing an increase of 70% comparing with pre-renovation.

#### 4. Tenancy Matters and Rental Policy

- We seek to achieve sustainability with retailers when negotiating our leases with individual tenants. On an annualized basis, the average reversion rate or rental increase for the first half of FY2009/10 is 7.3 % pa over a 3-year lease period. Average base rents have increased from \$26.8 at 30 Sep 2008 to \$29.7 at 30 Sep 2009, a 10.8% increase.
- We value tenants of all sizes, particularly small tenants for their contribution to the community, and will actively engage these tenants in discussions and respond to their reasonable requests, with a view to reaching arrangements that are mutually acceptable and conducive to sustainability of both sides.
- The table below summarizes the spread of leases across all retail shopping centres, excluding Markets, Cooked Food, Casual Leasing, Housing Department and Welfare. Key takeaways from these statistics supports the continued presence of small retailers across the Portfolio, including :
  - The number of leases has increased by 7.6%.
  - The IFA has increased by 5.5%.
  - The number of small tenants below say 2,500 sq ft has increased by 6.5% from 4,298 leases to 4,576 leases.

Shops only (sq.ft.)	IPO (Jul 05)		Sep-09	
	No. of leases	IFA (sqft)	No. of leases	IFA (sqft)
below 1,000	3,461	1,719,738	3,641	1,792,119
1,001 - 2,500	837	1,255,766	935	1,410,737
2,501 - 5,000	249	862,250	318	1,095,698
5,001 - 10,000	127	874,026	157	1,076,051
above 10,000	150	2,916,297	142	2,677,582
<b>Total</b>	<b>4,824</b>	<b>7,628,078</b>	<b>5,193</b>	<b>8,052,188</b>

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- For small tenants with specific financial issues making trading performance unreasonably difficult, we do negotiate with them on an individual basis. Those tenants with short-term trading of financial difficulties are being considered by the Management.
  - Continuous Support to Charity & NGOs
    - We offer some 8% of IFA (or over 800,000 square feet) for non-governmental and charitable organizations at concessionary rates as low as HK\$4.5 per sq ft.
    - We actively provide assistance to those in need, from food bank recipients to victims of typhoon in Taiwan, through charity and fund-raising activities at our portfolio

## **5. Recreational facilities**

- The Link is committed to providing high quality recreational facilities to the community.
- The Link is undertaking a comprehensive portfolio wide renovation programme to upgrade all our 91 locations, containing over 200 recreation facilities, at an estimated cost of \$30 million. To date 71 of these recreational facilities have now been completed. It is expected this programme to be completed by the end of 2010. Nevertheless, fair wear and tear, obsolesces, vandalism or ongoing concern regarding safety all necessitate a comprehensive repair and maintenance programme. Accordingly, temporary closure of dilapidated facilities with a view to prompt maintenance and repair would still be expected in the portfolio. We have started to install CCTV systems throughout our portfolio to better prevent misuses and vandalism of the newly improved facilities.

## **6. Car Parking**

### **6.1 Free parking**

- Subsequent to requests from Panel Members, the 21 carparks which had changed the free loading period before have now been reverted back to 30 minutes. Management can confirm that all 147 loading bays in The Link's carparks have a free 30 minutes loading time limit.

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## **6.2 Carpark waiver update**

- The Link recognizes its commitment to provide priority car parking usage for HA resident parking.
- Over recent months, The Link has undertaken an internal audit of usage across all carparks. Management is currently undertaking a process to verify the “bona-fide” carparkers across the portfolio.
- Contemporaneously, The Link has submitted a number of waivers with Lands Department to effect compliance with the current lease/DMC requirements.
- In view of high demand, Management will continue to apply to increase the number of parking spaces for motorcycle usage as well as residents in adjacent estates. These applications are in process at present.

## **7. Fire safety installation**

- All Link properties were built to Housing Authority standard and were deemed safe, in terms of fire safety, when built. Ongoing works are now taking place to bring the properties up to current standard and in full compliance with the Fire Services (Commercial Premises) Ordinance. Compliance is expected to be completed in phases by 2016 / 17 in accordance with an agreed time-table with the Buildings Department (BD) and Fire Services Department (FSD).
- Management has established a dedicated in-house team to implement fire-safety works at individual shopping centres across the entire portfolio.
- Management has appointed four independent fire safety specialised consultants to review required works to ensure compliance across the portfolio. These works will be tendered and completed on an ongoing basis.
- The Link confirms that all properties have a valid F.S. 251 certificate issued by the F.S.D – this relates to fire service installation and equipment across the portfolio.
- The Link regularly meets with both the Buildings Department and Fire Services Department to

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review progress of works and compliance. The Link has thus far completed works at nine properties with a further nine to be completed within Financial Year 2010 / 11.

- With regard to the fire safety directions issued by the Authority, pursuant to the ordinance, The Link will complete the required works within the timeframe specified therein. The Link is responsible for completing fire safety works on common areas. The tenant is responsible for carrying out the works within areas leased to them. As fire safety directions may be issued to The Link, as landlord, we will maintain close monitoring of each case and as a responsible landlord, the Link will take all necessary steps to ensure safety and statutory compliances are being met.

## **8. Estate Agent Licence**

- The Link has obtained legal advice confirming all leases for its properties are and will continue to be valid and binding on its tenants.
- The Link will continue to honour its legal obligations and commitment to provide tenants with venues and services to operate their business, with a view to supporting them to offer quality shopping choices to customers. Accordingly, no retailers will be affected by this matter, and there is no need to re-negotiate or re-do the leases, which remain effective.
- The Link is in full cooperation with EAA on its follow-up work. As EAA and related Government Agencies are now processing the matter, The Link considers it inappropriate to further comment at this stage.

## **9. Corporate Citizenship**

### **9.1 Keeping & Creating Jobs**

- We recently employed an additional 230 staff to take over on-site management of Shopping Centres from 1 November 2009, while our service providers offered 2,900 frontline positions for Cleaners, Security Guards and Technicians. An 8-hour shift was offered for Security Guards whilst wages for both Security Guards and cleaning workers are in line with the corresponding average rate shown in Census and Statistics Department report at

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contract commencement.

- Through the AEI programmes, The Link is investing in properties to bring a more relevant retail product offering to Hong Kong's mass market and create more jobs, both in construction, retail and the F&B industries.

## **9.2 Tenant Academy**

- Launched in June 2008 to help tenants run their businesses.
- Seminars and workshops by leading industry figures every month on :
  - Strategies to Success
  - Quality Service
  - Smart Financial Management
- A total of 17 talks have been organized in FY 2009/10 with more than 1,700 tenants attended.

## **9.3 Barrier Free Access (BFA) provisions for the community**

- The Link has embarked on a comprehensive review of our BFA facilities so that we can better serve the community. BFA enhancement works for Wong Tai Sin and Lung Cheung Mall will start in April 2010. This includes provision of tactile guide path, direction signage, disabled ramps and non-slip pathways to be completed by mid 2010. Within 2010 improvement works will also commence for 6 other Shopping Centres.
- We have completed the installation of outdoor tactile guide path for the visually impaired for 11 centres. Another eight are in progress.

## **9.4 Green Shopping**

- HK's first shopping bag borrowing service was launched at 33 Shopping Centres.
- We partnered with environment group to organize plastic bag recycling programme, collecting 160,000 plastic bags for recycling in just 8 months in 2009.



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### **9.5 HK's First Electric Vehicle (EV) Pass**

- We took the lead to set up charging system for EVs in five car parks, offering free parking for EVs until the end of 2010.

### **10. Communication with stakeholders**

- The Link regularly meets with social groups facilitate better exchange of views on both sides, and lay the foundation for better two-way communication going forward. To further improve relationships at local level, we have newly appointed District Relationship Manager to each of the four Divisions in our portfolio. Together with frontline Asset Management staff, they will strive to strengthen communication with our stakeholders.

- The End -