



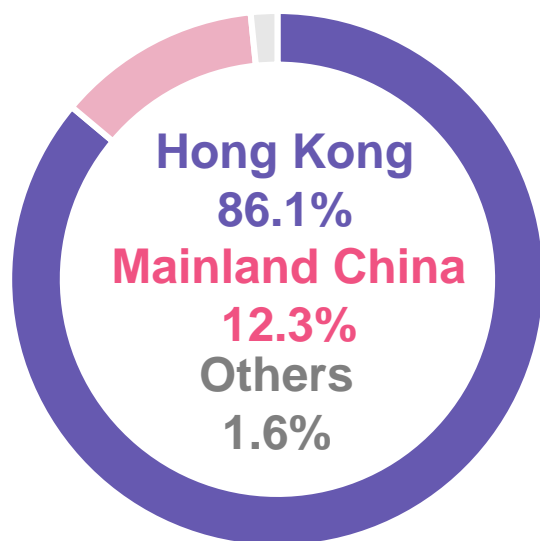
# Investor Briefing

March 2020

領展  
LINK

# Link in 2020

## Portfolio in Brief



**Sep 2019 (pro-forma)  
Portfolio Value  
HK\$224B<sup>(1)</sup>**

Note:

(1) Pro-forma portfolio mix as at 30 September 2019 post acquisition of Sydney office.



**Retail – 74.6%**

**125** in HK  
**4** in Mainland China

**Car Park – 16.7%**

**~ 57,000**  
Car park spaces  
in HK

**Office – 8.7%**

**1** in HK  
**1** in Mainland China  
**1** in Australia

# Current Environment

## The Perfect Storm

### Hong Kong, Mainland China, World-wide COVID-19 outbreak

- Heavy impact on F&B and education sectors
- Severely dampen consumer sentiment
- Uncertain when the virus will end
- Ensure tenant survival is our current primary goal

### Hong Kong Social events overwhelmed HK in 2H 2019

- Relatively limited impact on non-discretionary trades
- Only several Link shopping centres had to close on certain days, most of our centres were unaffected
- Possibility of re-igniting around Legco elections in September

### Global

#### Oil War/ Sino-US Tension

- Uncertainty over global economic outlook

# Summary of Impact from COVID-19

## Hong Kong



### Retail

- Strong sales in supermarkets and fresh markets but significant drop in Chinese restaurants and education centre businesses
- Poor consumer sentiment due to uncertainties
- A small percentage of tenants (mostly education) suspended their businesses and shortened their business hours

### Car park

- Lower car parking demand due to fewer shoppers and rampant illegal parking

## Mainland China



### Retail

- All tenants, especially F&B and entertainment, were affected due to strict social distancing measures
- Asset enhancement for CentralWalk has been delayed
- Nearly 80% of tenants have reopened but certain trades (e.g. cinema) remain closed
- Footfall and patronage still very low

**Our focus is to revitalise the community and stimulate consumer spending and retail sales within health and safety bounds**

# Link's Response in Crisis

## Established **tenant support scheme**

So far HK\$80M earmarked to support our tenants in Hong Kong, plus separate programme in Mainland China

## Strengthened **balance sheet**

No major refinancing in FY2020/21 and reserved additional cash and revolving facilities as precaution

## Stepped up **community support**

Relief for school bus operators, antiseptic kit redemption for shoppers, distribute free fruits to elderly, enhanced cleaning and disinfection measures, etc

## Ensured **staff wellbeing**

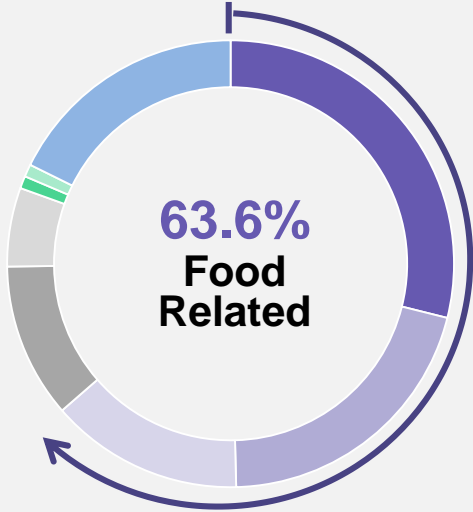
Flexible work arrangements, shift duty, psychological support and training

# 3Q FY2019/2020 Operational Updates

# Hong Kong Retail and Car Park

## Retail Trade Mix by Monthly Rental (1)

Food & beverage	28.9%
Supermarket & foodstuff	20.7%
Markets/cooked food stalls	14.0%
Services	11.2%
Personal care/medicine	5.7%
Education/welfare & ancillary	0.9%
Valuable goods (3)	0.9%
Others (4)	17.7%



Occupancy	97.2% <sup>(1)</sup>
Reversion	18.1% <sup>(2)</sup>
Average unit rent	HK\$69.6 psf <sup>(2)</sup>

## Car Park

**Car park income per space per month**  
**HK\$2,929<sup>(2)</sup>**

**Average valuation per space**  
**HK\$663K<sup>(2)</sup>**



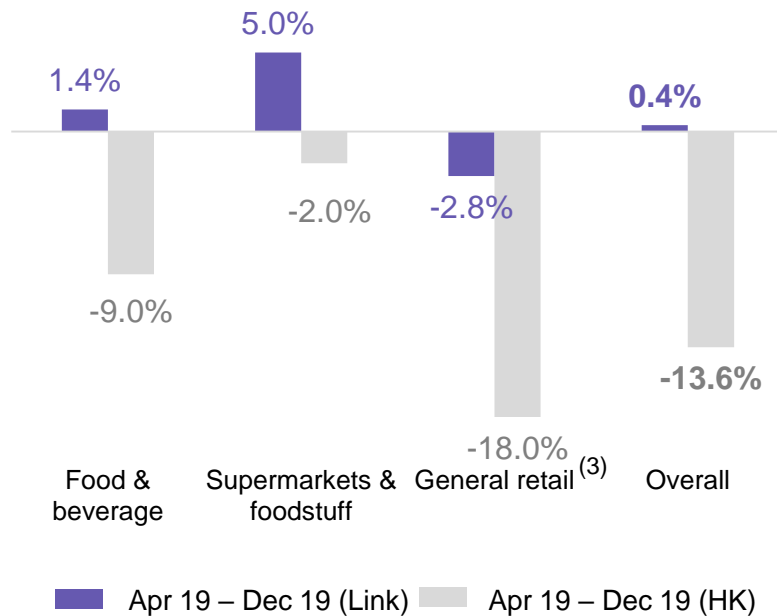
**Most resilient trade mix among listed retail-focused REIT**

Notes:  
 (1) As at 31 Dec 2019  
 (2) As at 30 Sep 2019/ for the period ended 30 Sep 2019.  
 (3) Include jewellery, watches and clocks  
 (4) Include clothing, department store, electrical and household products, optical, books and stationery, newspaper, leisure and entertainment

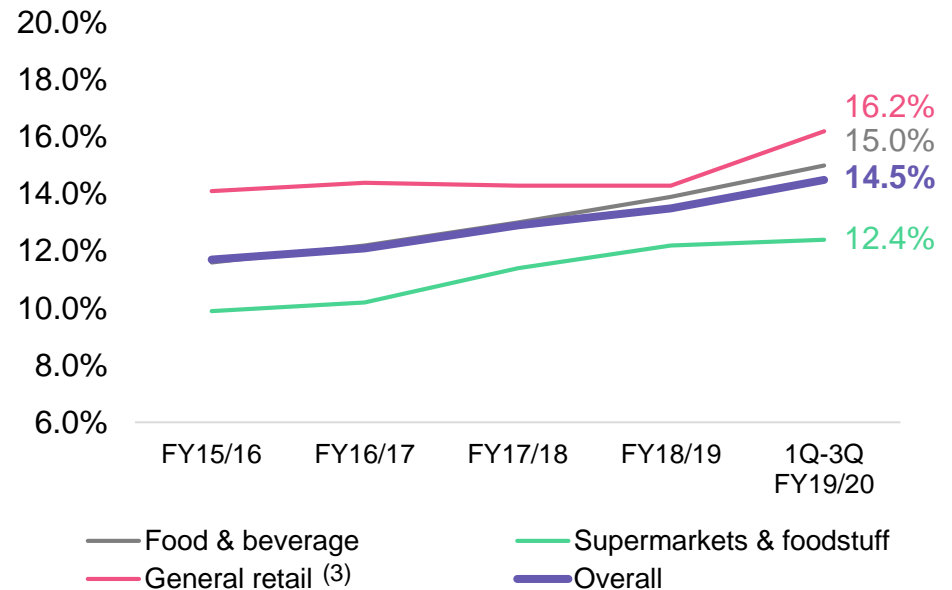


# 3Q 2019/20 Hong Kong Tenant Performance

## Hong Kong Sales Growth (1)



## Hong Kong Occupancy Cost (2)



**Recent update:** HK tenant sales performance was stable up to Dec 19, but COVID-19 outbreak has impacted Chinese restaurants and education sectors

Notes:

- (1) Percentage figures represent year-on-year change in tenants' average monthly sales per square foot of the respective periods.
- (2) A ratio of base rent plus management fee to tenants' gross sales.
- (3) Including clothing, department store, electrical and household products, personal care/medicine, optical, books and stationery, newspaper, valuable goods, services, leisure and entertainment, and retail others.



# Hong Kong Office

## Office Occupancy

**~80%<sup>(1)</sup>**



- Two new tenants have committed to take up two additional floors

## Retail Occupancy

**66%<sup>(1)</sup>**



- 15 F&B and takeaway outlets to satisfy nearby demand

## The Quayside



Note:  
(1) As of March 2020.

# Mainland China Retail

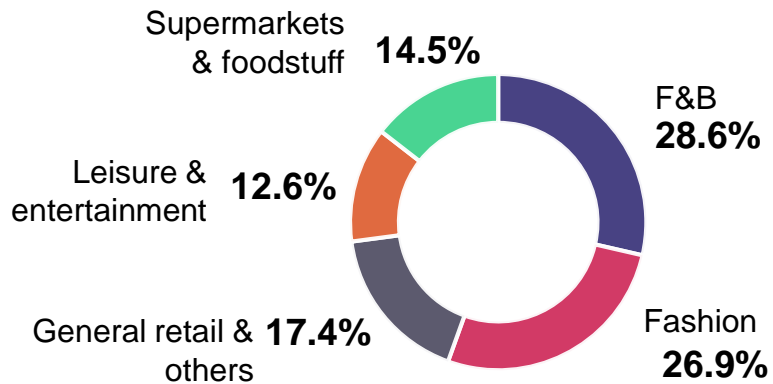
Retail  
Reversion

31.5%<sup>(1)</sup>

Retail  
Occupancy

98.6%<sup>(2)</sup>

## Trade mix by leased area<sup>(2)</sup>



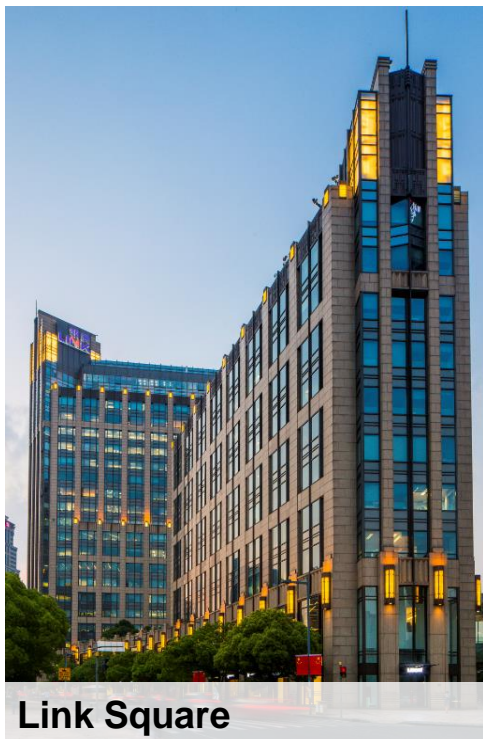
**Recent update:** Footfall declined substantially in February but is showing early signs of returning; most cinemas and gyms are still closed

Notes:

(1) For the period ended 30 Sep 2019

(2) As at 31 Dec 2019

# Mainland China Office



Link Square

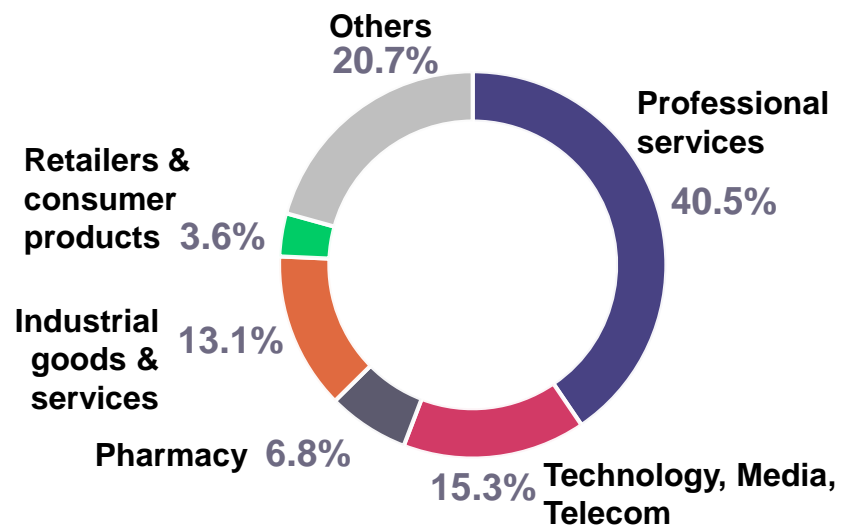
Office Reversion

13.5%<sup>(1)</sup>

Office Occupancy

95.8%<sup>(2)</sup>

## Trade mix by leased area <sup>(2)</sup>



Notes:

(1) For the period ended 30 Sep 2019

(2) As at 31 Dec 2019

**Recent update:** Office tenants have largely resumed normal operations

# Foray into Overseas Market

## Acquisition of 100 Market Street in Australia



### A Stable Asset Adding onto Portfolio Growth

- ✓ Occupied by three high credit rating tenants
- ✓ Long WALE of >8 years
- ✓ ~4% annual rental escalation

### Occupancy

**100%**

**As at Dec 2019**

**Recent update:** Expect to complete transaction soon;  
100% AUD financing secured with ANZ and DBS

# Capital Management

## Diversified Funding Sources

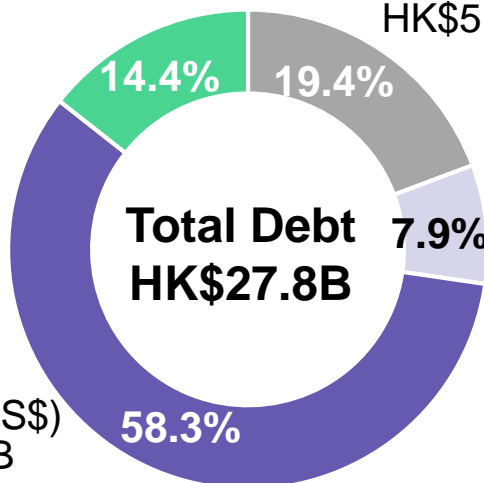
(as at 30 Sep 19)

Convertible bonds  
HK\$4.0B

HKD bank loans  
HK\$5.4B

MTN  
(HK\$ & US\$)  
HK\$16.2B

RMB bank loans  
HK\$2.2B



## Gearing ratio

**13.5%**

Pro-forma post acquisition of Sydney Office

## Effective interest rate

**3.23%** HK\$ debt portfolio

As at 30 Sep 19

## Credit Ratings

**A/Stable**  
S&P

**A2/Stable**  
Moody's

**A/Stable**  
Fitch

Industry-leading cost of capital

## Financial flexibility secured

### Shored up additional cash reserves

- Increased cash to HK\$6.5B in March 2020
- Only HK\$0.8B debt mature by March 2021
- Ample financing headroom

### Capital return programmes

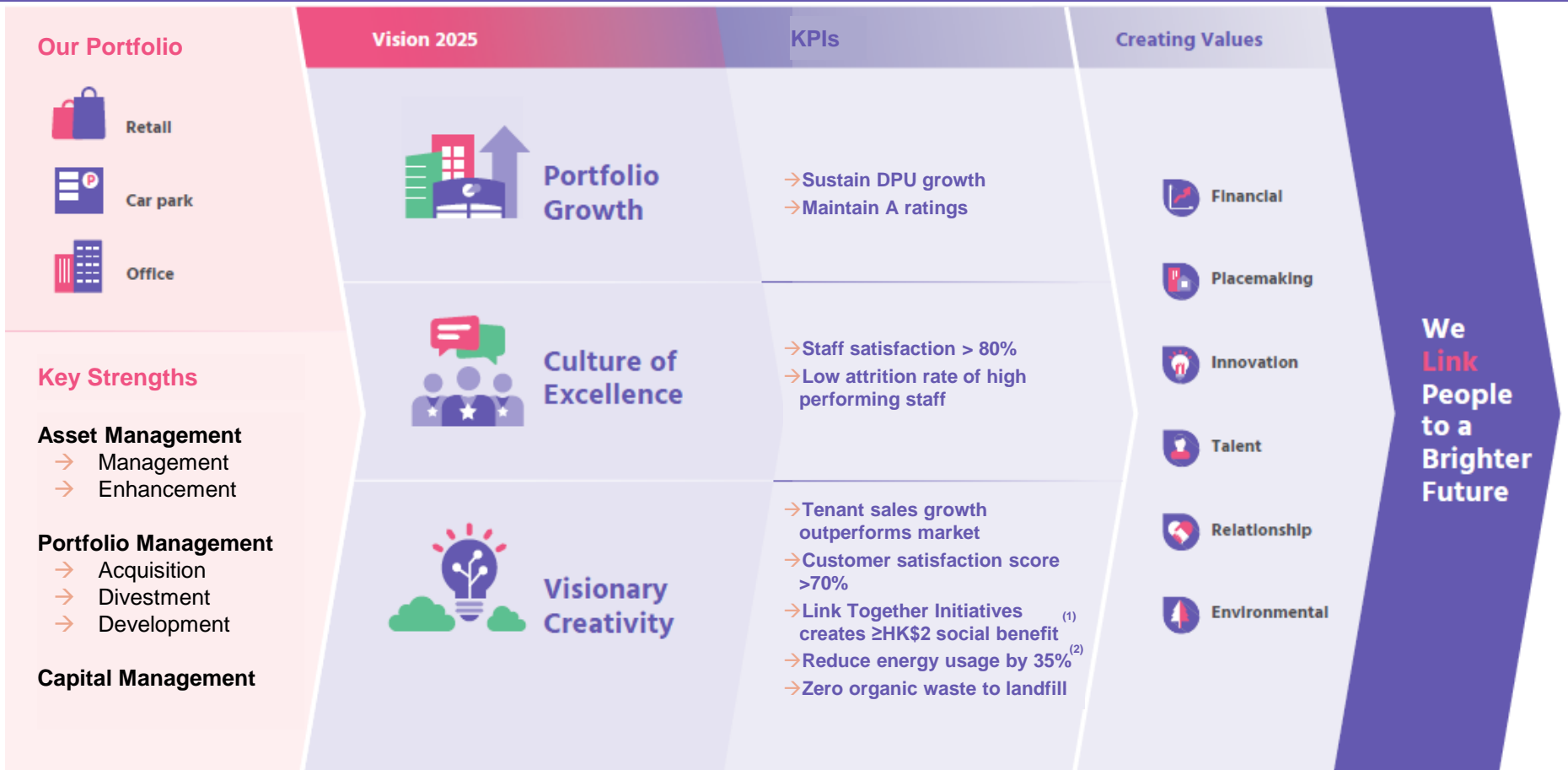
- 52M of the 60M unit buyback programme completed
- Consider further buyback subject to market conditions
- Discretionary distribution of HK14 cents per unit per year for three years up to FY2021/22

Note:

(1) All figures for the period ended 30 Sep 2019 except as indicated

# Journey to Vision 2025

# Value Creation with a Clear Vision



We Link People to a Brighter Future

Notes:

(1) For every HK\$1 invested measured by Total Impact Assessment.

(2) On a like-for-like basis comparing the baseline set in 2010.

# Continued Focus on Vision 2025

## Portfolio Growth



## Culture of Excellence



## Visionary Creativity



**We sustain the growth  
of our business...**

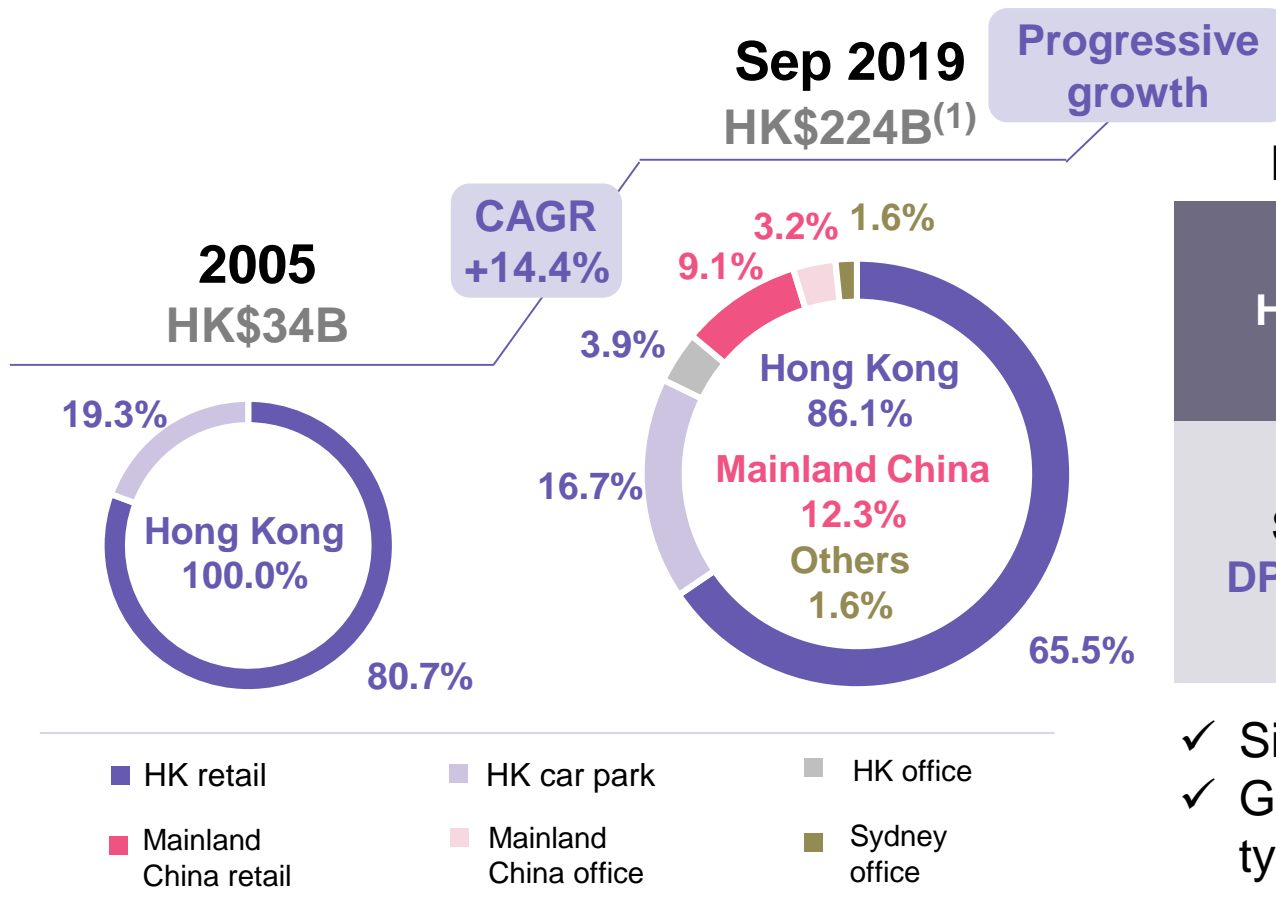
**... by building  
a strong team...**

**... and continuously  
innovate**



# Vision 2025

## Portfolio Growth



### KPI targets by 2025

**AUM by 2025**  
High single-digit CAGR  
as growth target

**Sustain**  
DPU growth

**Maintain**  
'A' ratings

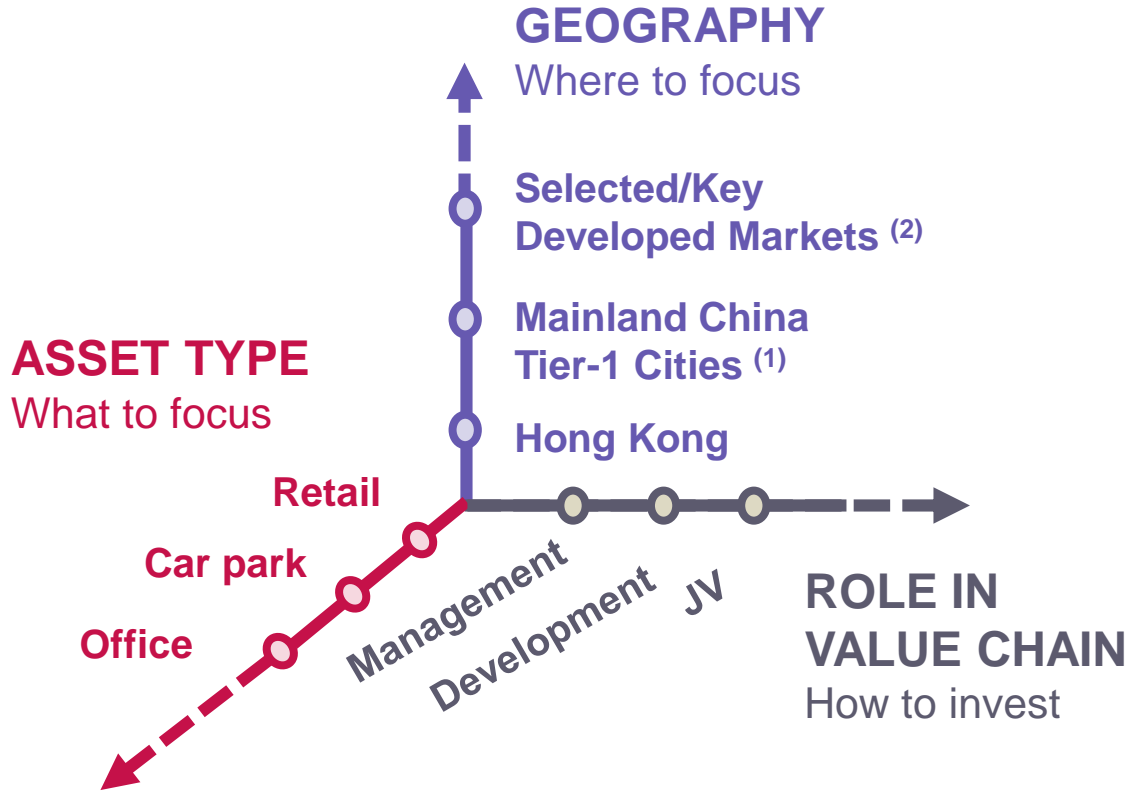
- ✓ Size matters
- ✓ Geographic and asset type diversification

Note:

(1) Pro-forma total portfolio value as at 30 September 2019 post acquisition of Sydney office

# Portfolio Growth

## Explore Opportunities for Quality Income



### Management Guidance

Geography	
Hong Kong	70-75%
Mainland China	≤20%
Overseas	≤10%

Asset Class	
Office	15-20%

**Seeking balance between income stability and growth**

Notes:  
 (1) Beijing, Shanghai, Guangzhou and Shenzhen and their surrounding river delta areas  
 (2) Namely Australia, Japan, Singapore and the UK



# Portfolio Growth Preference in Developed Markets

Relative Stability	Market Liquidity	Favourable Regulatory Environment
<ul style="list-style-type: none"><li>• Robust rental market</li><li>• Densely populated</li><li>• Highly urbanised</li><li>• Stable consumption demand</li></ul>	<ul style="list-style-type: none"><li>• Transparent market</li><li>• Broad investor base and transaction volume</li><li>• Transaction data readily available</li></ul>	<ul style="list-style-type: none"><li>• Clear legal and tax regulations and structures</li><li>• Easy to conduct due diligence</li></ul>

**In-depth study in progress for Australia, Singapore, Japan and the UK  
in addition to the Mainland Tier-1 cities**

# Portfolio Growth

## Acquisition Criteria Consistently Applied

	Hong Kong		Mainland China				Australia	
	T.O.P	The Quayside	EC Mall	Link Square	Metropolitan Plaza	Roosevelt Plaza	Central-Walk	100 Market Street
✓ HK, Mainland China Tier-1 cities, Selected/key developed markets	✓	✓	✓	✓	✓	✓	✓	✓
✓ Mass-mid market retail	✓		✓		✓	✓	✓	
✓ Premium grade-A office		✓		✓				✓
✓ Good connectivity	✓	✓	✓	✓	✓	✓	✓	✓
✓ Limited competition			✓	✓	✓	✓		✓
✓ Sizeable catchment	✓	✓	✓	✓	✓	✓	✓	✓
✓ Long-term growth potential	✓	✓	✓	✓	✓	✓	✓	✓

# Vision 2025

## Culture of Excellence



### KPI targets by 2025

Staff satisfaction  
Improve rating to  
>80%

Low attrition  
rate for high  
performing staff

### Learning and Talent Development

E-library with unlimited  
access to learning materials



\*Sponsored by L&D Committee

TABLET DEVICES FOR E-BOOKS,  
LEARNING AND MORE

- Now open 24/7-

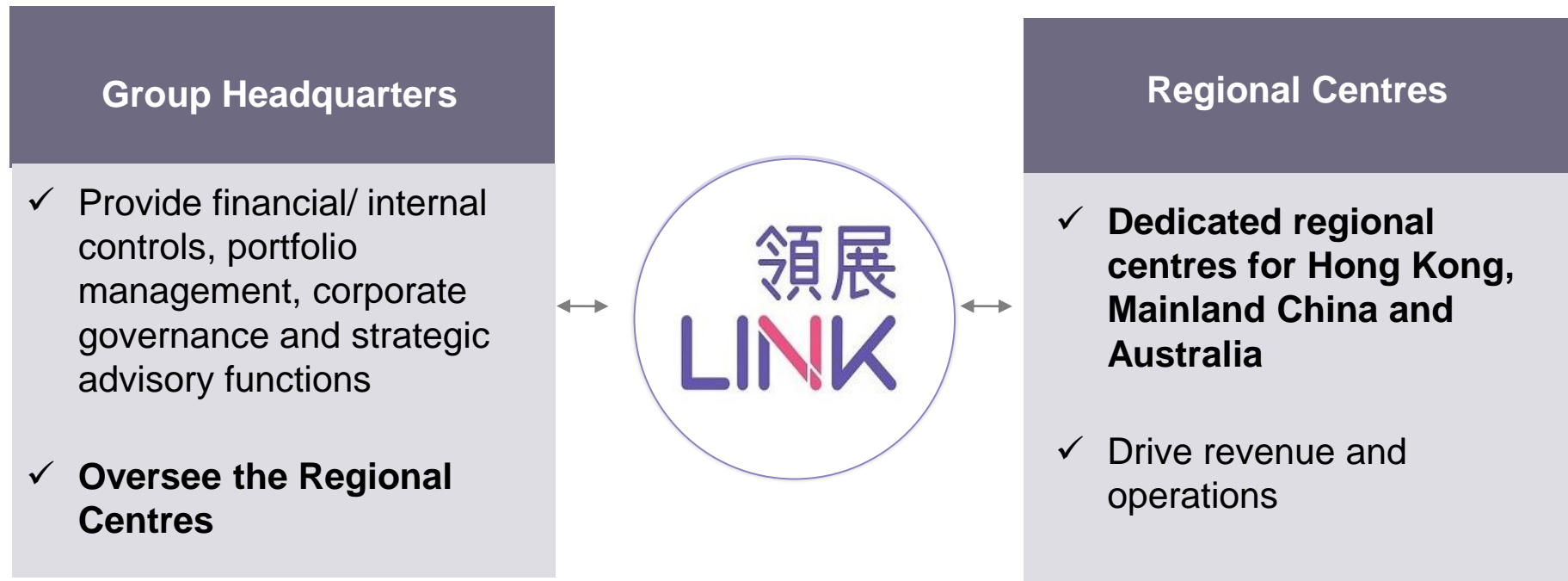


Employee engagement workshops

# Culture of Excellence

## Upgrading Organisation Structure

Talent refresh and key hires to upgrade management capabilities  
A scalable structure that promotes efficient reporting and operational excellence



Note:

(1) Set up since 1 February 2020.

# Vision 2025

## Visionary Creativity



### KPI targets by 2025

**Tenant sales growth**  
Outperform market

**Open space initiative**  
100%  
utilisation

**Organic waste to landfill**  
Zero

**Customer satisfaction**  
>70%

**Impact of Link Together Initiatives**

**Create social benefit  $\geq$ HK\$2<sup>(1)</sup>**

Note:  
(1) For every HK\$1 invested, measured by Total Impact Assessment

### Link Together Initiatives



Resources Management  
(Surplus food collection)



Youth Empowerment  
(Platform for graffiti and street dance)



Active Ageing  
(Inspirational drama programme for elderly)

### Link University Scholarship



Support 190 students each year who are the first amongst 3 generations in their families to attend university in HK.

# Visionary Creativity Innovation and Sustainability

## Solar PV



- ✓ Lok Fu Plaza
- ✓ Sheung Tak
- ✓ Wo Che
- ✓ Tai Yuen

- Identified **4 pilot sites** to install in 1Q FY20
- To include blockchain component to **track and record** solar PV energy output

## Placemaking



- **Revitalised public spaces** for local community
- Pipeline **extended to FY2021/22**

## Eliminating Single Use Plastics Pilot

- Target to engage **20 tenants** to participate in a pilot run
- Ordered **replacement bags** which are made from sustainable materials



### Cassava Bag

- ✓ Does not produce any environmental pollutants
- ✓ Decompose within 60 days
- ✓ Can be recycled

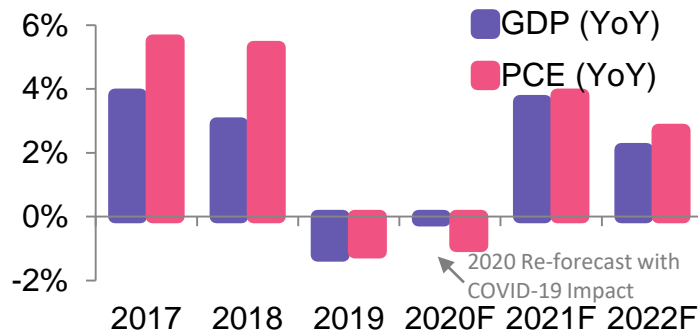


# Looking Ahead

# Hong Kong Economy

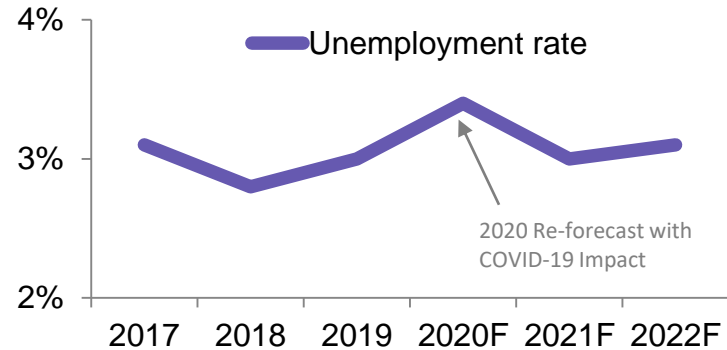
## Substantial Macro Headwinds

### GDP and PCE are still under pressure



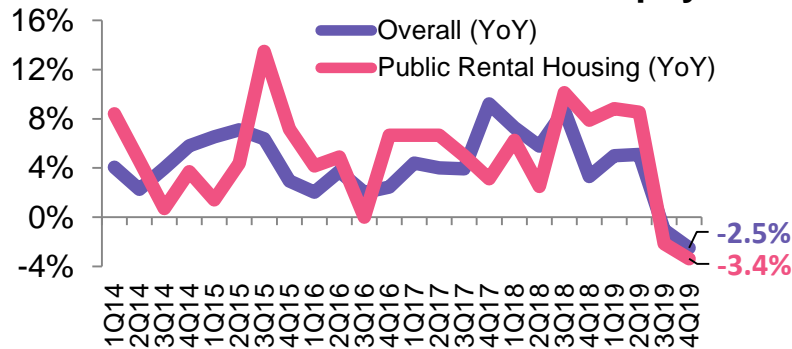
Note: PCE refers to Private Consumption Expenditure  
Sources: C&SD, EIU (forecast Feb 2020)

### Unemployment rate will likely increase



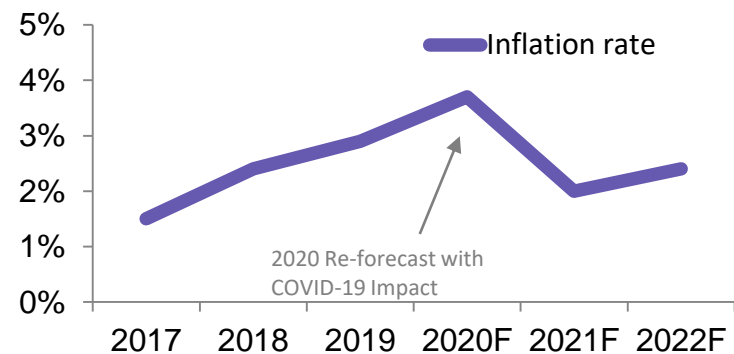
Sources: C&SD, EIU (forecast Feb 2020)

### Household income decreased abruptly



Source: C&SD

### Inflation is likely to rise in near term



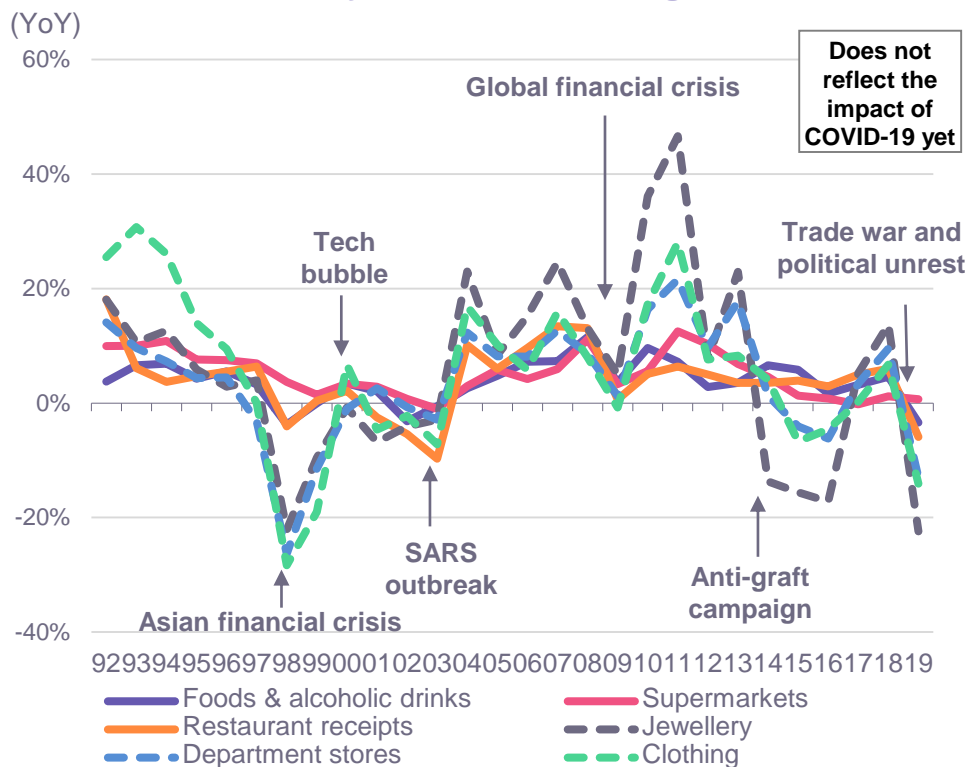
Sources: C&SD, EIU (forecast Mar 2020)

**Government announced measures to support economy and businesses**

# Hong Kong Retail Sales Further Downward Pressures

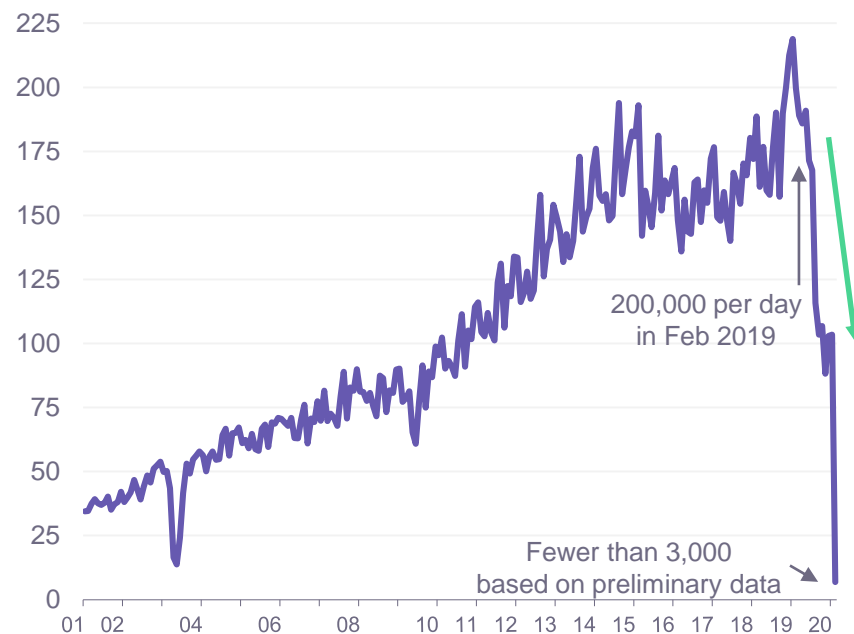
## Hong Kong Visitor Arrivals, Retail Sales & Restaurant Receipts

### Discretionary sales leading the decline



Source: C&SD

### Visitor arrivals dropped significantly

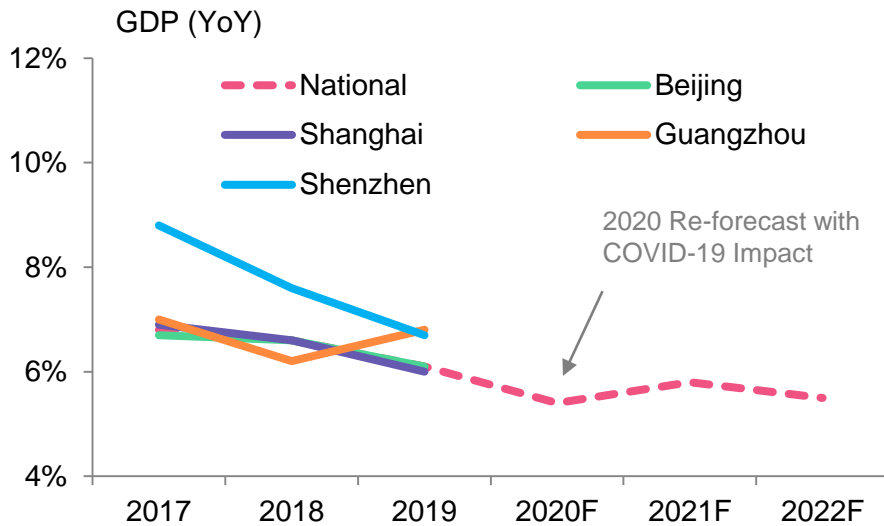


Source: HKTB

**Non-discretionary trades are less volatile in long-run**

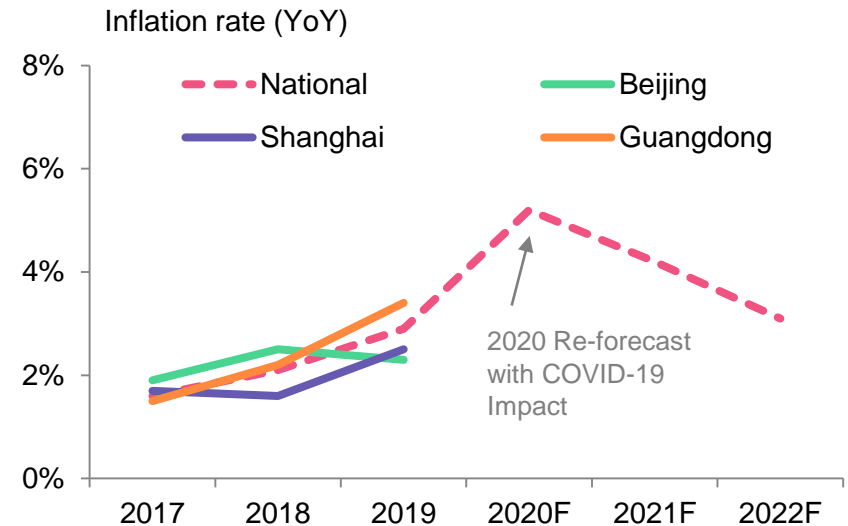
# Mainland China COVID-19 Outbreak Gloomming the Growth

## Economy is likely to grow slower



Sources: NBS, BMBS, SMSB, GMSB, SBSM, EIU (forecast Feb 2020)

## Inflation is expected to increase



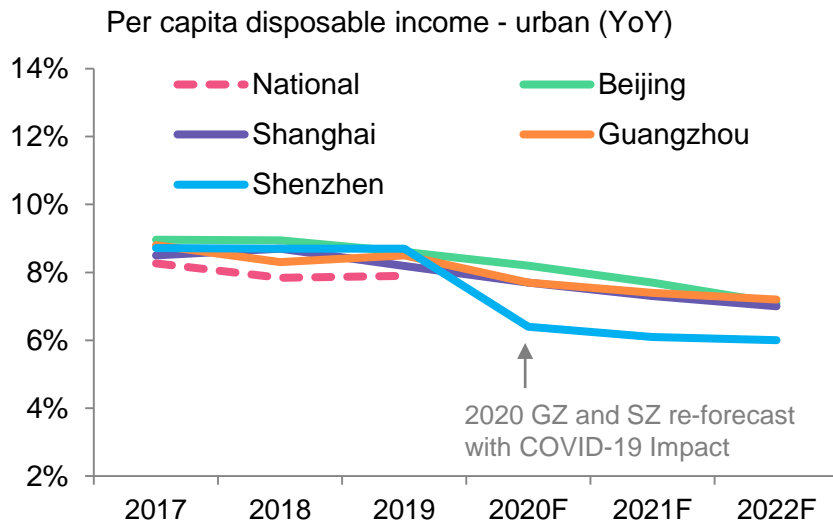
Sources: NBS, BMBS, SMSB, SBGP, EIU (forecast Feb 2020)

**Recovery and steady growth are expected after the outbreak is under control**

# Mainland China

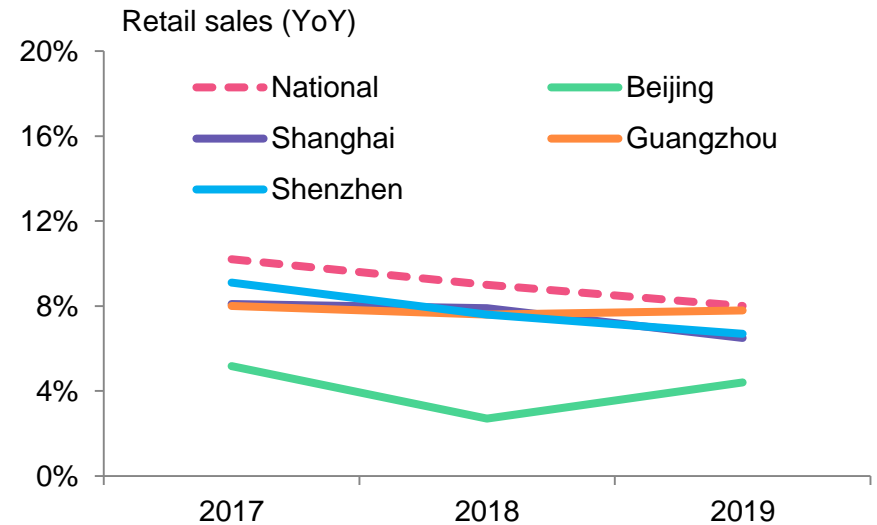
## Domestic Consumption to Slow Down

### Urban income growth is moderating



Sources: NBS, BMBS, SMSB, GMSB, SBSM, EIU (forecast Mar 2020)

### Consumption growth at a slower pace



Sources: NBS, BMBS, SMSB, GMSB, SBSM

**Government has issued policies to revitalise consumption**

# Outlook Shrouded in Uncertainties

## Retail Outlook

- **Lack of momentum** in tenant sales and reversion amid **poor sentiment**
- **Cautious on tenants' affordability** and **asset enhancement** likely to slow down
- Impact of COVID-19 still **uncertain**

## Capital Management

- Board and management will **consider further buyback** subject to market conditions
- **Maintain strong balance sheet**
- Continue **discretionary distribution** as announced in 1H 2019/20

## Acquisition Strategy

- Continue to explore **prudent growth opportunities** in selected markets including **HK, Mainland China and overseas**
- Seek to **unlock the best assets** during **market displacement**

# Q&A

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