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## **Link Real Estate Investment Trust**

*(a collective investment scheme authorised under section 104  
of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*

**(stock code: 823)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

The board of directors (the **Board**) of Link Asset Management Limited (the **Manager**), as manager of Link Real Estate Investment Trust (**Link**), is pleased to report to unitholders (the **Unitholders**) the unaudited interim results of Link and its subsidiaries (the **Group**) for the six months ended 30 September 2016.

The interim results and the condensed consolidated interim financial information of the Group for the six months ended 30 September 2016, after review by the Audit and Risk Management Committee of the Manager (the **Audit and Risk Management Committee**), were approved by the Board on 9 November 2016.

#### **OVERALL FINANCIAL RESULTS**

During the six months under review, total revenue and net property income increased by 10.1% and 11.1% year-on-year to HK\$4,608 million (six months ended 30 September 2015: HK\$4,185 million) and HK\$3,440 million (six months ended 30 September 2015: HK\$3,096 million), respectively. Interim distribution per unit (**DPU**) for the period amounted to HK111.75 cents (six months ended 30 September 2015: HK98.99 cents), representing a year-on-year increase of 12.9%.

Valuation of the property portfolio (including property under development and properties in Mainland China) reached HK\$167,475 million, representing an increase of 4.2% compared to 31 March 2016. Net asset value per unit increased by 2.5% to HK\$58.20 (31 March 2016: HK\$56.79).

## MANAGEMENT DISCUSSION AND ANALYSIS

In the six months under review, our business strategy, property portfolio and team performed well against the headwind of an increasingly uncertain macroeconomic environment. By continuing to execute a proven business strategy that focuses on building a productive and resilient portfolio, Link has delivered another strong performance for the first half of 2016/2017 while strengthening our position for future growth.

### Building a More Productive and Higher Quality Portfolio

#### Asset Management

Managing our properties well is our core growth driver which is inevitably the most important in driving profit and extracting value from the portfolio. The management of our retail and car park facilities has evolved to be our strength and expertise. Through scalable innovation, we continue to leverage on this competitive advantage. This strategy is supported by close monitoring and analysis of changes in district demographics and shopper preferences. Augmenting this is our proactive marketing approach which drives footfall, raises brand awareness and encourages shopper loyalty.

#### Hong Kong Portfolio

##### Retail

In the silhouette of a challenging retail market, our portfolio showed resilience in performance as we continued to focus on mass market non-discretionary trades. Occupancy rate for the portfolio as at 30 September 2016 remained stable at 95.9%. “Food and Beverage” sector continued to outperform other trades. Reversion rate for the overall portfolio stood at 21.0% and we recorded a 6.6% year-on-year growth in retail rentals. Average monthly unit rent improved from HK\$50.0 psf as at 31 March 2016 to HK\$52.5 psf as at 30 September 2016.

#### Operational Statistics of the Retail Portfolio

	Occupancy rate		Reversion rate		% of total area
	As at 30 September 2016	As at 31 March 2016	Six months ended 30 September 2016	Six months ended 30 September 2015	As at 30 September 2016
	%	%	%	%	%
Shops	97.1	97.1	21.2	29.5	82.7
Markets/Cooked Food Stalls	89.4	89.1	17.8	1.1	9.4
Education/Welfare and Ancillary	91.3	92.4	19.1	18.7	7.9
<b>Total</b>	<b>95.9</b>	<b>96.0</b>	<b>21.0</b>	<b>23.6</b>	<b>100.0</b>

## Retail Portfolio Breakdown

Properties	No. of properties	Retail properties valuation	Retail rentals	Average monthly unit rent <sup>(1)</sup>		Occupancy rate	
		As at 30 September 2016 HK\$'M	Six months ended 30 September 2016 HK\$'M	As at 30 September 2016 HK\$ psf <sup>(2)</sup>	As at 31 March 2016 HK\$ psf <sup>(2)</sup>	As at 30 September 2016 %	As at 31 March 2016 %
Destination	6	21,522	526	71.8	70.8	96.9	97.3
Community	38	59,564	1,629	63.1	60.8	96.6	97.0
Neighbourhood	86	33,277	971	36.5	35.3	95.0	94.6
700 Nathan Road <sup>(3)</sup>	1	6,116	13	N.A.	-	N.A.	-
9 properties disposed <sup>(4)</sup>	-	-	18	-	29.4	-	97.2
<b>Total</b>	<b>131</b>	<b>120,479</b>	<b>3,157</b>	<b>52.5</b>	<b>50.0</b>	<b>95.9</b>	<b>96.0</b>

### Notes:

- (1) Average monthly unit rent represents the average base rent plus management fee per month per square foot of leased area.
- (2) psf means per square foot.
- (3) The acquisition of 700 Nathan Road was completed on 15 April 2016. As at 30 September 2016, the tower portion and retail podium were vacant in preparation for renovation. Only several street shops were leased and those leases will expire before the end of 2016.
- (4) Disposal was completed in May 2016.

## Portfolio Lease Expiry Profile

(As at 30 September 2016)

	% of total area %	% of monthly rent %
2016/2017	14.8	16.6
2017/2018	26.5	29.9
2018/2019 and Beyond	50.8	49.4
Short-term Lease and Vacancy	7.9	4.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## *Car Parks*

Car parks, which represented 17.6% of our business by value, saw consistent rental growth and recorded a year-on-year increase of 6.4% during the period. This was supported by continuously growing demand in car park spaces and increased visitations to our shopping centres, driven by the enhanced shopping environment and stimulated by our Park & Dine mobile application.

Individual car park income per space per month increased by 11.1% year-on-year to HK\$2,206 for the period ended 30 September 2016.

### **Key Car Park Performance Indicators**

	<b>Six months ended 30 September 2016</b>	Six months ended 30 September 2015
Car park income per space per month (HK\$)	<b><u>2,206</u></b>	<u>1,986</u>
	<b>As at 30 September 2016</b>	As at 31 March 2016
Total valuation (HK\$'M)	<b>29,490</b>	28,888
Average valuation per space (HK\$'000)	<b><u>409</u></b>	<u>384</u>

## *Mainland China Portfolio*

The two properties in Mainland China acquired last year – EC Mall in Beijing and Corporate Avenue 1 & 2 in Shanghai – have delivered strong performance. They contributed revenue of HK\$289 million and net property income of HK\$232 million during the period, representing a 124% and a 144% year-on-year increase respectively as Corporate Avenue 1 & 2 made full-period contribution.

Almost fully occupied, both properties have created better value and improved our portfolio quality. Retail reversion rate was 43.9% for EC Mall and office reversion rate was 8.3% for Corporate Avenue 1 & 2 during the financial period.

## EC Mall Retail Lease Expiry Profile

(As at 30 September 2016)

	% of total area %	% of monthly rent %
2016/2017	6.5	14.7
2017/2018	20.8	27.4
2018/2019 and Beyond	71.7	57.9
Vacancy	1.0	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Corporate Avenue 1 & 2 Office Lease Expiry Profile

(As at 30 September 2016)

	% of total area %	% of monthly rent %
2016/2017	27.4	27.4
2017/2018	15.5	18.4
2018/2019 and Beyond	55.5	54.2
Vacancy	1.6	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Asset Enhancement

Our expertise in asset enhancement has contributed to our success throughout the years. Our original portfolio in Hong Kong has an average age of over 25 years, implying many of the properties require revitalisation to create better value. With careful planning and execution of asset enhancement, we not only provide an enhanced retail environment for tenants and shoppers, but also bring a better shopping experience and more offerings for the community. Our asset enhancement programme continues to focus on enhancing shopping centre performance, capitalising on changing district demographics, creating and delivering a consistent brand image, and improving utilisation of retail space. The works improve the layout, efficiency and facilities of the properties. Our investment in enhancing the smaller properties – those ranking beyond the top 50 by valuation – also demonstrates our commitment and focus across our entire portfolio.

During the period, we completed four asset enhancement projects, including Tin Chak Shopping Centre, Lei Tung Commercial Centre, Butterfly Plaza and Sau Mau Ping Shopping Centre, all of which exceeded our return on investment target of 15%.

### Return on Investment of Asset Enhancement Projects Completed in the Six Months Ended 30 September 2016

	Total area as at 30 September 2016 '000 sq ft	Total Project Capex HK\$'M	Estimated return on investment <sup>(1)</sup> %
Tin Chak Shopping Centre <sup>(2)</sup>	130	20	23.1
Sau Mau Ping Shopping Centre <sup>(2)</sup>	155	59	28.9
Lei Tung Commercial Centre <sup>(3)</sup>	84	62	20.3
Butterfly Plaza <sup>(2)(4)</sup>	173	286	15.1
<b>Total</b>	<b>542</b>	<b>427</b>	

*Notes:*

- (1) Estimated return on investment is calculated based on projected net property income post project minus net property income pre project divided by estimated project capital expenditures and loss of rental.
- (2) Property ranked amongst top 50 by valuation.
- (3) Property ranked beyond top 50 by valuation.
- (4) Property included a fresh market upgrade.

The enhancement of Butterfly Plaza in Tuen Mun involved a major overhaul of the interior and façade of the fresh market. The enhancement of the fresh market created a new anchor for the shopping centre. Re-layout and re-partitioning of the fresh market improved the visibility of the stalls and provided a cleaner, brighter and more comfortable environment for grocery shopping. After repositioning the fresh market, it has become the largest fresh market in the South Tuen Mun district.

Key to enhancement works at Lei Tung Commercial Centre and Sau Mau Ping Shopping Centre was the improvement in accessibility and visibility of the two shopping centres, especially with the new MTR station to be opened soon at Lei Tung. With new escalators, it has improved the circulation of the shopping centres. Sau Mau Ping Shopping Centre has also increased food and beverage offerings after repartitioning and upgrading the overall outlook of the arcade. This coincides with residents moving into the adjacent new public rental housing project on Anderson Road. Tin Chak Shopping Centre was a relatively smaller scale refurbishment project that mainly included re-partitioning to create more shops for a wider range of retail offerings on the second floor.

## Asset Enhancement Pipeline

	Number of projects	Estimated costs <i>HK\$'M</i>
Underway	12	1,311
Pending statutory approval	9	686
Others under planning	> 16	> 1,100
<b>Total</b>	<b>&gt; 37</b>	<b>&gt; 3,097</b>

## Approved Asset Enhancement Projects Underway

	Estimated costs <i>HK\$'M</i>	Target completion date
TKO Gateway (previously known as Hau Tak Shopping Centre) <sup>(1)</sup>	174	Late 2016
Tai Hing Commercial Centre <sup>(2)</sup>	75	Late 2016
Wah Ming Shopping Centre <sup>(2)</sup>	72	Early 2017
Tin Yiu Plaza <sup>(1)</sup>	164	Early 2017
Fu Tung Plaza <sup>(1)</sup>	30	Early 2017
Lung Hang Commercial Centre <sup>(2)</sup>	81	Mid 2017
Chung Fu Plaza <sup>(1)</sup>	280	Mid 2017
Cheung Wah Shopping Centre <sup>(2)</sup>	102	Mid 2017
Tin Tsz Shopping Centre <sup>(2)</sup>	42	Mid 2017
Temple Mall South <sup>(1)</sup>	153	Mid 2017
Siu Sai Wan Plaza <sup>(1)</sup>	45	Late 2017
Fu Shin Shopping Centre <sup>(1)(3)</sup>	93	Mid 2018
<b>Total</b>	<b>1,311</b>	

### Notes:

- (1) Properties ranked amongst top 50 by valuation.
- (2) Properties ranked beyond top 50 by valuation.
- (3) Project includes a fresh market upgrade.

## **Asset Acquisition**

By adding quality assets with better growth potential, we improve our portfolio quality and ensure sustainable DPU growth. Building on the resilience of our portfolio, our focus is to seek investment opportunities with high future growth potential in mass market retail and premium grade-A offices in core CBD in Hong Kong and tier-one cities in Mainland China. This involves cautious and prudent due diligence and disciplined deal structuring to deliver better long-term returns.

During the period, we completed the acquisition of 700 Nathan Road in Mong Kok, Hong Kong at a consideration of HK\$5,910 million on 15 April 2016. The property is located at the heart of Kowloon, situated on top of one of the busiest MTR stations in Hong Kong. With direct MTR access in the basement, it will become a new mass market destination shopping centre of Link. Renovation of the property has commenced and it is targeted to start operations around the end of 2017. The tower portion will offer an ideal place for service and semi-retail trades. The revitalised modern retail podium will become a young and vibrant shopping environment with mass market retail offerings. The new shopping centre is targeted to become a new landmark of Mong Kok.

## **Asset Disposal**

As part of our capital recycling strategy and enhancing the quality of our portfolio, Link has disposed of some of our non-core assets. Use of proceeds from the disposal included paying down debts, buying back our units to neutralise loss in DPU, and funding investments in quality assets which carry good growth prospects to enhance Unitholder return.

In May 2016, Link completed the disposal of nine properties for a total of HK\$3,652 million, representing a 19% premium over the valuation as at 31 March 2016. For the 23 properties we disposed of in the past two years, the holding period internal rate of return ranged from 13% to 30%. On 28 October 2016, Link announced its intention to dispose of another five properties by tender.

## **Property Development**

Link currently has one commercial development project underway at 77 Hoi Bun Road in Kowloon East, Hong Kong. The joint venture project with Nan Fung Development Limited is progressing on time and has recently received LEED Platinum pre-certification. This top of the class grade-A commercial property is on schedule to be completed in 2019. We are pleased with the progress of the development project. With stringent cost control, we managed to achieve savings in the construction costs. The project's estimated total development costs (including the land premium) have been revised from HK\$10.5 billion to HK\$9.9 billion, a 5.7% savings compared to the original budget.



## Maintaining a Prudent and Flexible Capital Structure

During the period under review, the US economy and labour market continued to expand at a modest pace. In late June 2016, Britain's referendum to leave the European Union suddenly shifted the market liquidity to US\$ denominated assets and Asian bonds. Both the US treasury yields and credit spread compressed sharply in July 2016. We took advantage of the market window and issued our first green bond, raising US\$500 million for 10 years at 2.875% fixed rate, one of the lowest rates ever achieved by a Hong Kong corporate. It was also the first green bond issued by a property company in Asia. The green bond was prepared according to the 2016 Green Bond Principles of the International Capital Market Association which included an independent second opinion of Link's green bond framework by Sustainalytics. Proceeds from the bond are specifically earmarked to fund Link's green initiatives, reinforcing Link's commitment to sustainable development. The allocation of bond proceeds will receive an external review from an independent third party to ensure compliance.

In the Hong Kong banking market, slow domestic loan growth during the period continued to suppress loan margins. We captured the market opportunity and arranged a HK\$600 million unsecured banking facility with 7-year maturity at the all-in costs of HIBOR + 1.15% per annum.

After the financing transactions, the Group's total debt increased to HK\$29.80 billion (31 March 2016: HK\$27.05 billion) while our gearing ratio stood at 17.6% (31 March 2016: 16.5%) and the average life of our committed debt facilities as at 30 September 2016 increased to 5.1 years (31 March 2016: 5.0 years). As at 30 September 2016, the Group had available liquidity of HK\$9.60 billion (31 March 2016: HK\$8.03 billion), comprising HK\$504 million (31 March 2016: HK\$454 million) in cash and deposits and HK\$9.10 billion (31 March 2016: HK\$7.58 billion) in committed but undrawn facilities.

### Committed Debt Facilities <sup>(1)</sup>

(As at 30 September 2016)

<i>(HK\$ billion)</i>	Fixed rate debt <sup>(2)</sup>	Floating rate debt <sup>(2)</sup>	Utilised facilities	Undrawn facilities	Total committed facilities
Unsecured bank loan	7.20	5.20	12.40	9.10	21.50
MTN <sup>(3)</sup>	10.72	6.68	17.40	–	17.40
<b>Total</b>	<b>17.92</b>	<b>11.88</b>	<b>29.80</b>	<b>9.10</b>	<b>38.90</b>
Percentage	60%	40%	77%	23%	100%

#### Notes:

- (1) All amounts are at face value.
- (2) After interest rate swaps.
- (3) MTN means medium term notes.

On interest rate management, we maintained the percentage of fixed rate debt to gross debt at 60.1% (31 March 2016: 63.4%) and the average life of fixed rate debt, representing the average period of interest rate protection provided by fixed rate debt, steady at 6.6 years (31 March 2016: 6.9 years). The effective interest cost of the Group's debt portfolio as at 30 September 2016 reduced further to 2.53% (31 March 2016: 2.57%) as we continued to refinance higher cost debt with recently priced transactions at lower rates.

### Facility Maturity Profile <sup>(1)</sup>

(As at 30 September 2016)

<i>(HK\$ billion)</i>	<b>Unsecured bank loans</b>	<b>MTN</b>	<b>Undrawn facilities</b>	<b>Total</b>
Due in 2016/2017	–	0.81	–	0.81
Due in 2017/2018	0.15	0.30	1.35	1.80
Due in 2018/2019	2.35	1.09	1.05	4.49
Due in 2019/2020	3.50	1.30	2.00	6.80
Beyond 2020/2021	6.40	13.90	4.70	25.00
<b>Total</b>	<b>12.40</b>	<b>17.40</b>	<b>9.10</b>	<b>38.90</b>

*Note:*

<sup>(1)</sup> All amounts are at face value.

As part of Link's capital recycling strategy, we used part of the proceeds from property disposals to buy back 13.4 million units during the period under review at an average price of HK\$55.47 per unit, which is equivalent to a 4.7% discount to net asset value per unit as at 30 September 2016 of HK\$58.20.

Link's credit ratings were affirmed by Moody's and Standard & Poor's at "A2/Stable" and "A/Stable" on 13 July and 25 July 2016 respectively.

## Developing a Strong Management Team

Delivering sustainable growth is largely dependent on Link's ability to attract, develop and retain a team of high-calibre talent. Our workforce is diverse and requires constant engagement to ensure Link delivers an appealing employee value proposition that is directly related to how "We Link People to a Brighter Future". We have gained substantial headway in building an agile and innovative team that effectively leads and manages our workforce as well as our diversified business while using foresight and professional judgement to identify emerging risks and opportunities. As at 30 September 2016, we had 905 staff (31 March 2016: 883).

### Capacity Building

Dynamic environment requires our insight into what skills our future workforce will need to deliver Link's long term strategy. To ensure our productivity and our overall salary, bonus and other benefits remain competitive, we regularly review our workforce composition, compensation packages and the learning and development programmes to be offered. We recently established Link Competency Framework which is the foundation of our talent management strategy. Evolved from our Vision, Mission and Values, our competency framework outlines core, leadership and technical competencies we expect our workforce to have, including:

- Analysis and Execution
- Alignment with Stakeholder Interest
- Business Orientation
- Building Team and Collaboration
- Communication and Impact
- Change Management
- Drive and Commitment
- Developing & Managing Self and Talent

The framework is integrated across our talent management planning and processes including talent sourcing and acquisition, learning and development, performance management and succession planning.

## Helping our Tenants and Communities Grow while Delighting Shoppers

### Growing with our Tenants

As a result of our continuous efforts in refining trade mix and improving tenant business environment, during the period under review, our Hong Kong portfolio tenants' average monthly retail gross sales per square foot continued to improve and rose by 3.8% as compared to the last period. "Food and Beverage" and "Supermarket and Foodstuff", the dominant daily necessity trades in the Hong Kong portfolio, posted a year-on-year growth in gross sales psf of 7.3% and 2.6%, respectively, while "General Retail" recorded an increase of 2.8%.

### Hong Kong portfolio retail trade mix

(As at 30 September 2016)

Trade	By monthly rent	By leased area
	%	%
Food and Beverage	26.2	29.1
Supermarket and Foodstuff	20.9	18.3
Markets/Cooked Food Stalls	15.1	8.8
Services	10.7	9.4
Personal Care/Medicine	6.5	4.0
Education/Welfare and Ancillary	1.2	7.6
Valuable goods (Jewellery, watches and clocks)	0.8	0.3
Others <sup>(1)</sup>	18.6	22.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Note:

<sup>(1)</sup> Others include clothing, department stores, electrical and household products, optical, books and stationery, newspaper, leisure and entertainment.

Rent to sales ratio of the Hong Kong portfolio was 12.0% for the period under review. Looking into different trade categories, rent to sales ratios for "Food and Beverage", "Supermarket and Foodstuff" and "General Retail" were 11.9%, 10.1% and 14.6%, respectively.

Our Link Tenant Academy was launched in 2009 with the main objective of helping our tenants do better business by imparting valuable business know-how, latest retail and service trends and sharing operational improvement tips. We have recently made several enhancements to the Academy including introducing a Tenant Excellence Award. This scheme uses the mystery shopper approach to encourage our tenants to continually improve their services and offerings.

## Community Enrichment

Link Together Initiatives is our flagship community engagement programme through which we support selected charity projects that seek to improve the livelihood of local communities. Annually, Link earmarks 0.25% of net property income from the previous financial year to fund the projects. A total of HK\$10.2 million has been earmarked for 2016/2017 and the chosen projects for Link Together Initiative will be announced in late 2016.

Since 2011, we have invested HK\$200 million to ensure our properties are barrier free accessible (**BFA**) with the necessary physical enhancements. Our BFA work is scheduled to be completed in first half of 2017 across our entire property portfolio.

Following our highly successful BFA project is the Public Place Improvement Project, in which Link identifies suitable public spaces within our portfolio, ranging from recreational facilities, ball courts, roof tops, to entrance piazzas, for enhancements, Link seeks to ensure the public enjoys well-maintained public spaces and facilities which may also draw additional visitors and traffic to the retail and car park spaces.

## FINANCIAL REVIEW

### Hong Kong Portfolio

#### *Revenue Analysis*

Link continued to achieve solid financial performance with stable growth in retail and car park rentals. Total revenue rose 6.5% to HK\$4,319 million (six months ended 30 September 2015: HK\$4,056 million), comprising rental income from retail properties of HK\$3,157 million (six months ended 30 September 2015: HK\$2,961 million), car parks of HK\$967 million (six months ended 30 September 2015: HK\$909 million) and other property related revenue of HK\$195 million (six months ended 30 September 2015: HK\$186 million).

Our portfolio remained focused on non-discretionary trades which led to retail rentals continuing to increase steadily against last year amid high occupancy and robust rental reversion. Car park rentals have also improved in view of the lack of new supply of car parks and increased visitations to our shopping centres.

## Revenue breakdown

	<b>Six months ended 30 September 2016 HK\$'M</b>	Six months ended 30 September 2015 HK\$'M	Year-on-year change %
<b>Retail rentals:</b>			
Shops <sup>(1)</sup>	2,551	2,415	5.6
Markets/Cooked Food Stalls	440	390	12.8
Education/Welfare and Ancillary	74	72	2.8
Mall Merchandising	92	84	9.5
<b>Car parks rentals:</b>			
Monthly	726	680	6.8
Hourly	241	229	5.2
<b>Expenses recovery and other miscellaneous revenue:</b>			
Property related revenue <sup>(2)</sup>	195	186	4.8
<b>Total revenue</b>	<b>4,319</b>	<b>4,056</b>	<b>6.5</b>

### Notes:

- (1) Rental from shops included base rent of HK\$2,486 million (six months ended 30 September 2015: HK\$2,348 million) and turnover rent of HK\$65 million (six months ended 30 September 2015: HK\$67 million), respectively.
- (2) Property related revenue included other revenue from retail properties of HK\$193 million (six months ended 30 September 2015: HK\$183 million) and car parks of HK\$2 million (six months ended 30 September 2015: HK\$3 million).

### Expense Analysis

It is important that we remain disciplined in cost control to enhance operational efficiency. During the period under review, total property operating expenses increased moderately by 5.3% and net property income margin further improved to 74.3% (six months ended 30 September 2015: 74.0%).

Increase in staff costs was mainly due to a higher accrual for our long-term incentive plan as a result of a higher closing unit price as at 30 September 2016 against that as of 31 March 2016. Our utility expenses grew 4.0% largely attributable to an increase in number of properties that offer air-conditioning. Government rent and rates increase was mainly due to the revenue growth.

## Property Operating Expenses Breakdown

	Six months ended 30 September 2016 HK\$'M	Six months ended 30 September 2015 HK\$'M	Year-on-year change %
Property managers' fees, security and cleaning	279	285	(2.1)
Staff costs	215	182	18.1
Repair and maintenance	117	109	7.3
Utilities	180	173	4.0
Government rent and rates	147	129	14.0
Promotion and marketing expenses	49	48	2.1
Estate common area costs	53	62	(14.5)
Other property operating expenses	71	67	6.0
<b>Total property operating expenses</b>	<b>1,111</b>	<b>1,055</b>	<b>5.3</b>

## Mainland China Portfolio

EC Mall in Beijing and Corporate Avenue 1 & 2 in Shanghai acquired in 2015 have been yielding encouraging results due to strong occupancy and reversion, particularly for EC Mall. Full-period contributions from both properties were reflected during this reporting period, resulting in a 124% year-on-year increase in total revenue from Mainland China to HK\$289 million (six months ended 30 September 2015: HK\$129 million), and a 144% year-on-year increase in net property income to HK\$232 million (six months ended 30 September 2015: HK\$95 million).

## Valuation Review

Total value of investment properties (including property under development and properties in Mainland China) grew 4.2% from HK\$160,672 million as at 31 March 2016 to HK\$167,475 million as at 30 September 2016. After the completion of the acquisition of 700 Nathan Road, value of the Hong Kong retail properties increased 5.2% to HK\$120,479 million (31 March 2016: HK\$114,492 million) while value of the car parks increased 2.1% to HK\$29,490 million (31 March 2016: HK\$28,888 million). The increase in value of the retail properties and car parks in Hong Kong was mainly driven by the increase in net property income as the quality of our portfolio constantly improved.

Value of the Hong Kong property under development in Kowloon East also increased to HK\$6,780 million (31 March 2016: HK\$6,300 million). The value of the newly acquired properties in Mainland China remained largely stable. As at 30 September 2016, the two properties were valued at HK\$10,726 million (31 March 2016: HK\$10,992 million) and the slight decrease was due to a decline in the RMB against the HKD. CBRE Limited, our Principal Valuer, valued our completed properties as at 30 September 2016 using a combination of income capitalisation and discounted cash flow (**DCF**) approaches or where appropriate direct comparison approaches as the valuation methodologies. For the property under development, the residual method was used.

## Valuation approach

	<b>As at 30 September 2016</b>	As at 31 March 2016
<b>Income Capitalisation Approach – Capitalisation Rate</b>		
<b>Hong Kong</b>		
Retail properties: weighted average	<b>4.53%</b>	4.54%
Car parks: weighted average	<b>4.79%</b>	4.78%
Overall weighted average	<b>4.58%</b>	4.59%
<b>Mainland China</b>		
Retail properties	<b>4.50% – 5.00%</b>	4.50% – 5.00%
Office properties	<b>4.00%</b>	4.00%
<b>DCF Approach – Discount Rate</b>		
<b>Hong Kong</b>	<b>7.50%</b>	7.50%
<b>Mainland China</b>		
Retail properties	<b>8.00% – 9.00%</b>	8.00% – 9.00%
Office properties	<b>7.50%</b>	7.50%

## OUTLOOK AND STRATEGY

The operating and economic environment for the foreseeable future will present some challenges. We believe the right strategy is in place and we are making appropriate and timely decisions that protect the long term growth of our business. This reflects our confidence in the productive and resilient nature of our portfolio which we believe will remain intact for years to come.

As Link enters the second half of 2016/2017 with good momentum, we are confident that Link will continue to deliver sustainable growth and create value across our value chain, as we are firmly on the way to becoming a world class real estate investor and manager, serving and improving the lives of those around us.



## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Six months ended 30 September 2016 (Unaudited) HK\$'M	Six months ended 30 September 2015 (Unaudited) HK\$'M
<b>Revenue</b>	4	4,608	4,185
Property operating expenses	6	<u>(1,168)</u>	<u>(1,089)</u>
Net property income		3,440	3,096
General and administrative expenses		(157)	(163)
Change in fair values of investment properties		<u>2,978</u>	<u>5,785</u>
<b>Operating profit</b>	7	6,261	8,718
Interest income		2	4
Finance costs	8	(275)	(216)
Gains on disposals of investment properties		<u>586</u>	<u>–</u>
Profit before taxation and transactions with Unitholders		6,574	8,506
Taxation	10	<u>(517)</u>	<u>(466)</u>
<b>Profit for the period, before transactions with Unitholders</b>		6,057	8,040
Distributions paid to Unitholders		<u>(2,404)</u>	<u>(2,138)</u>
		<u><b>3,653</b></u>	<u><b>5,902</b></u>
Represented by:			
Change in net assets attributable to Unitholders, excluding issues of new units and units bought back		3,138	5,767
Amount arising from cash flow hedging reserve and exchange reserve movements	23	411	104
Non-controlling interest		<u>104</u>	<u>31</u>
		<u><b>3,653</b></u>	<u><b>5,902</b></u>
Profit for the period, before transactions with Unitholders attributable to			
– Unitholders (Note)	11	5,953	8,009
– Non-controlling interest		<u>104</u>	<u>31</u>
		<u><b>6,057</b></u>	<u><b>8,040</b></u>

*Note:* Earnings per unit, based upon profit after taxation and before transactions with Unitholders attributable to Unitholders and the weighted average number of units in issue, is set out in Note 11 to the condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

	Before transactions with Unitholders (Unaudited) HK\$'M	Transactions with Unitholders (Note (i)) (Unaudited) HK\$'M	After transactions with Unitholders (Note (ii)) (Unaudited) HK\$'M	Non- controlling interest (Unaudited) HK\$'M	Total (Unaudited) HK\$'M
<b>Six months ended</b>					
<b>30 September 2016</b>					
Profit for the period	5,953	(5,542)	411	104	515
Other comprehensive income Item that may be reclassified subsequently to the condensed consolidated income statement					
– Cash flow hedging reserve	(51)	–	(51)	–	(51)
– Exchange reserve	(360)	–	(360)	–	(360)
Total comprehensive income for the period	<u>5,542</u>	<u>(5,542)</u>	<u>–</u>	<u>104</u>	<u>104</u>
<b>Six months ended</b>					
<b>30 September 2015</b>					
Profit for the period	8,009	(7,905)	104	31	135
Other comprehensive income Item that may be reclassified subsequently to the condensed consolidated income statement					
– Cash flow hedging reserve	(58)	–	(58)	–	(58)
– Exchange reserve	(46)	–	(46)	–	(46)
Total comprehensive income for the period	<u>7,905</u>	<u>(7,905)</u>	<u>–</u>	<u>31</u>	<u>31</u>

**Notes:**

- (i) Transactions with Unitholders comprise the distributions to Unitholders of HK\$2,404 million (2015: HK\$2,138 million) and change in net assets attributable to Unitholders, excluding issues of new units and units bought back, of HK\$3,138 million (2015: HK\$5,767 million).
- (ii) In accordance with the Trust Deed, the units of Link contain contractual obligations to pay to its Unitholders cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of the trust less any liabilities, in accordance with their proportionate interests in the trust at the date of the termination. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with Hong Kong Accounting Standard 32: Financial Instruments: Presentation. Consistent with Unitholders' funds being classified as a financial liability, the distributions to Unitholders and change in net assets attributable to Unitholders, excluding issues of new units and units bought back, are finance costs. Accordingly, the total comprehensive income, after the transactions with Unitholders, is zero.

**CONSOLIDATED STATEMENT OF DISTRIBUTIONS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

	Note	Six months ended 30 September 2016 (Unaudited) HK\$'M	Six months ended 30 September 2015 (Unaudited) HK\$'M
<b>Profit for the period, before transactions with Unitholders attributable to Unitholders</b>		<b>5,953</b>	8,009
Adjustments:			
– Change in fair values of investment properties attributable to Unitholders		(2,874)	(5,754)
– Deferred taxation on change in fair values of investment properties attributable to Unitholders		8	17
– Other non-cash income		(36)	(42)
– Depreciation charge on investment properties under China Accounting Standards		(42)	(24)
– Gains on disposals of investment properties, net of transaction costs		(557)	–
<b>Total Distributable Income (Note (i))</b>		<b>2,452</b>	2,206
<b>Discretionary distribution (Note (ii))</b>		<b>42</b>	24
<b>Total Distributable Amount</b>		<b>2,494</b>	2,230
Interim distribution for the period, to be paid to the Unitholders (Note (iii))		2,494	2,230
Total Distributable Amount as a percentage of Total Distributable Income		102%	101%
Units in issue at 30 September	22	2,231,341,276	2,252,468,136
<b>Distribution per unit to Unitholders for the period (Note (iii))</b>		<b>HK111.75 cents</b>	HK98.99 cents

**Notes:**

- (i) Under the terms of the Trust Deed, the Total Distributable Income is the consolidated profit after taxation attributable to Unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the condensed consolidated income statement for the relevant period. Link is required to ensure that the total amount distributed to Unitholders as distributions for each financial period shall be no less than 90% of Total Distributable Income. The Manager has decided to distribute 100% (2015: 100%) of Total Distributable Income as the distribution for the six months ended 30 September 2016.
- (ii) Discretionary distribution refers to any additional amount to be distributed as determined by the Manager pursuant to clause 13.4 of the Trust Deed. The Manager recommended a discretionary distribution relating to the adjustment for depreciation charge on investment properties under China Accounting Standards during the period.
- (iii) The interim distribution per unit of HK111.75 cents (2015: HK98.99 cents) for the six months ended 30 September 2016 is calculated based on the interim distribution of HK\$2,494 million (2015: HK\$2,230 million) for the period and 2,231,341,276 units (2015: 2,252,468,136 units) in issue as at 30 September 2016, without taking into account any change in the number of units in issue subsequent to the approval of the condensed consolidated interim financial information. The interim distribution will be paid to Unitholders on 2 December 2016.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2016**

	Note	30 September 2016 (Unaudited) HK\$'M	31 March 2016 (Audited) HK\$'M
<b>Non-current assets</b>			
Goodwill	12	476	487
Investment properties	13	167,475	157,612
Property, plant and equipment	14	78	76
Derivative financial instruments	20	228	158
Other non-current asset		–	1,095
		<b>168,257</b>	<b>159,428</b>
<b>Current assets</b>			
Investment properties held for sale		–	3,060
Trade and other receivables	15	462	435
Deposits and prepayments		76	74
Derivative financial instruments	20	–	1
Short-term bank deposits	16	92	118
Cash and cash equivalents	16	412	336
		<b>1,042</b>	<b>4,024</b>
<b>Total assets</b>		<b>169,299</b>	<b>163,452</b>
<b>Current liabilities</b>			
Trade payables, receipts in advance and accruals	17	1,649	1,643
Security deposits		1,435	1,410
Provision for taxation		492	252
Current portion of long-term incentive plan provision	18	59	63
Interest bearing liabilities	19	1,110	959
Derivative financial instruments	20	–	60
		<b>4,745</b>	<b>4,387</b>
<b>Net current liabilities</b>		<b>3,703</b>	<b>363</b>
<b>Total assets less current liabilities</b>		<b>164,554</b>	<b>159,065</b>
<b>Non-current liabilities, excluding net assets attributable to Unitholders</b>			
Long-term incentive plan provision	18	20	36
Interest bearing liabilities	19	28,629	25,965
Derivative financial instruments	20	460	402
Deferred tax liabilities		2,286	2,202
Other non-current liabilities	21	3,130	3,019
		<b>34,525</b>	<b>31,624</b>
<b>Total liabilities, excluding net assets attributable to Unitholders</b>		<b>39,270</b>	<b>36,011</b>
<b>Non-controlling interest</b>		<b>158</b>	<b>54</b>
<b>Net assets attributable to Unitholders</b>		<b>129,871</b>	<b>127,387</b>
Units in issue	22	<b>2,231,341,276</b>	<b>2,243,148,136</b>
Net assets per unit attributable to Unitholders		<b>HK\$58.20</b>	<b>HK\$56.79</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND  
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Net assets attributable to Unitholders (Unaudited) HK\$'M	Total reserves (Unaudited) HK\$'M	Non- controlling interest (Unaudited) HK\$'M
At 1 April 2016		127,387	580	54
Issuance of units under long-term incentive plan		90	-	-
Units bought back for cancellation		(744)	-	-
Profit for the period ended 30 September 2016, before transactions with Unitholders		5,953	-	104
Distributions paid to Unitholders – 2016 final distribution		(2,404)	-	-
Change in fair values of cash flow hedges	23	-	(106)	-
Amount transferred to the condensed consolidated income statement	23	-	55	-
Exchange loss on translation of financial statements	23	-	(360)	-
Amount arising from cash flow hedging reserve and exchange reserve movements	23	(411)	411	-
Change in net assets attributable to Unitholders and non-controlling interest for the period ended 30 September 2016, excluding issues of new units and units bought back		3,138	-	104
<b>At 30 September 2016</b>		<b>129,871</b>	<b>580</b>	<b>158</b>
At 1 April 2015		118,106	580	-
Issuance of units under long-term incentive plan		74	-	-
Units bought back for cancellation		(1,782)	-	-
Profit for the period ended 30 September 2015, before transactions with Unitholders		8,009	-	31
Distributions paid to Unitholders – 2015 final distribution		(2,138)	-	-
Change in fair values of cash flow hedges		-	(87)	-
Amount transferred to the condensed consolidated income statement		-	29	-
Exchange loss on translation of financial statements		-	(46)	-
Amount arising from cash flow hedging reserve and exchange reserve movements		(104)	104	-
Change in net assets attributable to Unitholders and non-controlling interest for the period ended 30 September 2015, excluding issues of new units and units bought back		5,767	-	31
At 30 September 2015		122,165	580	31

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

	<b>Six months ended 30 September 2016 (Unaudited) HK\$'M</b>	<b>Six months ended 30 September 2015 (Unaudited) HK\$'M</b>
<b>Operating activities</b>		
<b>Net cash generated from operating activities</b>	<b>3,150</b>	<b>2,839</b>
<b>Investing activities</b>		
Acquisition of businesses	–	(9,806)
Acquisition of an investment property	(5,319)	–
Proceeds from disposal of investment properties	3,652	–
Additions to investment properties	(591)	(670)
Additions to property, plant and equipment	(19)	(5)
Interest income received	2	12
Decrease in short-term bank deposits with original maturity of more than three months	26	1,190
<b>Net cash used in investing activities</b>	<b>(2,249)</b>	<b>(9,279)</b>
<b>Financing activities</b>		
Proceeds from interest bearing liabilities, net of transaction costs	18,209	29,264
Repayment of interest bearing liabilities	(15,532)	(20,408)
Increase in amount due to non-controlling interest	56	–
Interest expenses paid on interest bearing liabilities	(405)	(234)
Distributions paid to Unitholders	(2,404)	(2,138)
Units bought back for cancellation	(744)	(1,782)
<b>Net cash (used in)/generated from financing activities</b>	<b>(820)</b>	<b>4,702</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>81</b>	<b>(1,738)</b>
Cash and cash equivalents at 1 April	336	2,233
Effect on exchange rate changes on cash and cash equivalents	(5)	(1)
<b>Cash and cash equivalents at 30 September</b>	<b>412</b>	<b>494</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 Corporate information

Link Real Estate Investment Trust is a collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Link is governed by a trust deed entered into on 6 September 2005 (as amended and supplemented by 11 Supplemental Deeds dated 4 November 2005, 8 November 2005, 16 January 2006, 21 November 2006, 13 July 2007, 23 July 2007, 5 October 2009, 23 July 2010, 25 July 2012, 18 February 2014 and 15 January 2015) (together the **Trust Deed**).

The principal activity of Link and its subsidiaries is investing in real estate (other than real estate of a residential, hotel or serviced apartment nature) and undertaking property development and related activities in respect of all types of developments that contain retail and/or commercial portions. The addresses of the registered offices of the Manager, Link Asset Management Limited, and the Trustee, HSBC Institutional Trust Services (Asia) Limited, are 33/F., AXA Tower, Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong and 1 Queen's Road Central, Hong Kong, respectively.

## 2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standard (**HKAS**) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (**HKICPA**). The condensed consolidated interim financial information should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2016.

As at 30 September 2016, the Group's current liabilities exceeded its current assets. The Group considers that its liquidity and financial position as a whole is healthy and it has a reasonable expectation that the Group has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the interim financial information.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 3 Accounting policies

The accounting policies adopted are consistent with those set out in the audited consolidated financial statements for the year ended 31 March 2016, except for the adoption of the following new standard and amendments issued by the HKICPA which became effective for the six months ended 30 September 2016.

HKAS 1 Amendments	Disclosure Initiative
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants
HKAS 27 Amendments	Equity Method in Separate Financial Statements
HKAS 28 (2011), HKFRS 10 and HKFRS 12 Amendments	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements to HKFRSs 2012 – 2014 Cycle	

The adoption of these new standard and amendments has not had any significant effect on the accounting policies or results reported and financial position of the Group.

The following new standards and amendments, which have been published but are not yet effective, have not been early adopted in the condensed consolidated interim financial information. These are effective for the Group's accounting periods beginning on or after 1 April 2017.

HKAS 7 Amendments	Disclosure Initiative <sup>(1)</sup>
HKAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses <sup>(1)</sup>
HKAS 28 (2011) and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(4)</sup>
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions <sup>(2)</sup>
HKFRS 9 (2014)	Financial Instruments <sup>(2)</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>(2)</sup>
HKFRS 16	Leases <sup>(3)</sup>



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**3 Accounting policies (Continued)**

- (1) effective for accounting periods beginning on or after 1 January 2017
- (2) effective for accounting periods beginning on or after 1 January 2018
- (3) effective for accounting periods beginning on or after 1 January 2019
- (4) no mandatory effective date is determined yet but early application is permitted

The Group is in the process of making an assessment of the impact of these new and revised Hong Kong Financial Reporting Standards (**HKFRSs**) upon initial application. So far, the Manager has concluded that while the adoption of the new or revised HKFRSs may result in new or amended disclosures, these are unlikely to have a significant impact on the Group's reported results of operations and financial position.

**4 Revenue**

Revenue recognised during the period comprise:

	<b>Six months ended 30 September 2016 (Unaudited) HK\$'M</b>	<b>Six months ended 30 September 2015 (Unaudited) HK\$'M</b>
Rentals		
– Retail and commercial properties	<b>3,439</b>	3,086
– Car parks	<b>967</b>	911
	<b>4,406</b>	3,997
Other revenue		
– Air conditioning service fees	<b>185</b>	173
– Other property related revenue	<b>17</b>	15
	<b>202</b>	188
Total revenue	<b>4,608</b>	4,185

Leases with tenants provide for monthly base rent and recovery of certain outgoings. Additional rents based on business turnover amounted to HK\$71 million (2015: HK\$75 million) and have been included in the rental income.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
(Continued)**

**5 Segment information**

	Retail properties HK\$'M	Car parks HK\$'M	Others HK\$'M	Total HK\$'M
<b>For the six months ended 30 September 2016 (Unaudited)</b>				
Revenue	<u>3,475</u>	<u>969</u>	<u>164</u>	<u>4,608</u>
Segment results	2,590	711	(18)	3,283
Change in fair values of investment properties	884	1,776	318	2,978
Interest income				2
Finance costs				(275)
Gains on disposals of investment properties				<u>586</u>
Profit before taxation and transactions with Unitholders				6,574
Taxation				<u>(517)</u>
Profit for the period, before transactions with Unitholders				<u>6,057</u>
Capital expenditure	6,987	24	232	7,243
Depreciation	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>(9)</u>
<b>As at 30 September 2016 (Unaudited)</b>				
Segment assets	124,901	29,544	13,646	168,091
Goodwill				476
Derivative financial instruments				228
Short-term bank deposits				92
Cash and cash equivalents				<u>412</u>
Total assets				<u>169,299</u>
Segment liabilities	2,345	164	575	3,084
Provision for taxation				492
Long-term incentive plan provision				79
Interest bearing liabilities				29,739
Derivative financial instruments				460
Deferred tax liabilities				2,286
Other non-current liabilities				<u>3,130</u>
Total liabilities, excluding net assets attributable to Unitholders				<u>39,270</u>
Non-controlling interest				<u>158</u>
Net assets attributable to Unitholders				<u>129,871</u>

For the period ended 30 September 2016, revenue of HK\$289 million (2015: HK\$129 million) is attributable to external customers from Mainland China and HK\$4,319 million (2015: HK\$4,056 million) is attributable to external customers from Hong Kong.

As at 30 September 2016, non-current assets of HK\$10,828 million (31 March 2016: HK\$11,099 million) is located in Mainland China and HK\$157,201 million (31 March 2016: HK\$148,171 million) is located in Hong Kong.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**5 Segment information (Continued)**

	Retail properties HK\$'M	Car parks HK\$'M	Others HK\$'M	Total HK\$'M
For the six months ended 30 September 2015 (Unaudited)				
Revenue	<u>3,246</u>	<u>912</u>	<u>27</u>	<u>4,185</u>
Segment results	2,421	652	(140)	2,933
Change in fair values of investment properties	3,569	2,039	177	5,785
Interest income				4
Finance costs				(216)
Profit before taxation and transactions with Unitholders				8,506
Taxation				(466)
Profit for the period, before transactions with Unitholders				<u>8,040</u>
Capital expenditure	4,668	34	6,935	11,637
Depreciation	<u>–</u>	<u>–</u>	<u>(12)</u>	<u>(12)</u>
As at 31 March 2016 (Audited)				
Segment assets	118,981	28,943	14,428	162,352
Goodwill				487
Derivative financial instruments				159
Short-term bank deposits				118
Cash and cash equivalents				336
Total assets				<u>163,452</u>
Segment liabilities	2,252	195	606	3,053
Provision for taxation				252
Long-term incentive plan provision				99
Interest bearing liabilities				26,924
Derivative financial instruments				462
Deferred tax liabilities				2,202
Other non-current liabilities				3,019
Total liabilities, excluding net assets attributable to Unitholders				<u>36,011</u>
Non-controlling interest				<u>54</u>
Net assets attributable to Unitholders				<u>127,387</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**6 Property operating expenses**

	<b>Six months ended 30 September 2016 (Unaudited) HK\$'M</b>	<b>Six months ended 30 September 2015 (Unaudited) HK\$'M</b>
Property managers' fees, security and cleaning	<b>287</b>	288
Staff costs ( <i>Note 9</i> )	<b>227</b>	189
Repair and maintenance	<b>121</b>	111
Utilities	<b>187</b>	177
Government rent and rates	<b>147</b>	129
Promotion and marketing expenses	<b>51</b>	49
Estate common area costs	<b>54</b>	62
Business and real estate taxes in Mainland China	<b>17</b>	15
Other property operating expenses	<b>77</b>	69
	<b>1,168</b>	1,089

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**7 Operating profit**

Operating profit for the period is stated after charging:

	<b>Six months ended 30 September 2016 (Unaudited) HK\$'M</b>	Six months ended 30 September 2015 (Unaudited) HK\$'M
Staff costs ( <i>Note 9</i> )	<b>327</b>	262
Depreciation of property, plant and equipment	<b>9</b>	12
Trustee's fee	<b>8</b>	6
Valuation fee	<b>1</b>	1
Auditor's remuneration		
Audit fees	–	–
Audit-related assurance services	<b>1</b>	1
Total audit and audit-related assurance services	<b>1</b>	1
Acquisition related professional fees	–	1
Others	–	–
Total auditor's remuneration	<b>1</b>	2
Bank charges	<b>3</b>	2
Operating lease charges	<b>17</b>	14
Other legal and professional fees	<b>5</b>	16
Donations	<b>10</b>	10

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**8 Finance costs**

	<b>Six months ended 30 September 2016 (Unaudited) HK\$'M</b>	Six months ended 30 September 2015 (Unaudited) HK\$'M
Interest expenses on interest bearing liabilities	<b>340</b>	265
Other borrowing costs ( <i>Note (i)</i> )	<b>71</b>	39
	<b>411</b>	304
Less: capitalised under investment properties ( <i>Note (ii)</i> )	<b>(160)</b>	(88)
	<b>251</b>	216
Fair value loss on non-controlling interest put option obligation ( <i>Note 21</i> )	<b>24</b>	–
	<b>275</b>	216

*Notes:*

- (i) Other borrowing costs include HK\$30 million (2015: HK\$32 million) interest expenses to non-controlling interest, HK\$55 million (2015: HK\$29 million) net losses on interest rate swap contracts designated as cash flow hedges, HK\$42 million (2015: HK\$38 million) net gains on cross currency swap contracts and interest rate swap contracts designated as fair value hedges and various banking and financing charges.
- (ii) Interest expenses have been capitalised under investment properties at an average interest rate of 2.5% (2015: 2.7%) per annum.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**9 Staff costs**

	<b>Six months ended 30 September 2016 (Unaudited) HK\$'M</b>	Six months ended 30 September 2015 (Unaudited) HK\$'M
Wages and salaries	274	268
Contributions to mandatory provident fund scheme	7	7
Long-term incentive plan awards ( <i>Note 18</i> )	78	23
	<u>359</u>	<u>298</u>
Less: capitalised under investment properties	(32)	(36)
Staff costs ( <i>Note 7</i> )	<u><u>327</u></u>	<u><u>262</u></u>

Staff costs can be further analysed as below:

	<b>Six months ended 30 September 2016 (Unaudited) HK\$'M</b>	Six months ended 30 September 2015 (Unaudited) HK\$'M
Included under property operating expenses ( <i>Note 6</i> )	227	189
Included under general and administrative expenses	100	73
	<u><u>327</u></u>	<u><u>262</u></u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**10 Taxation**

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period. Corporate income tax in Mainland China has been provided for at the rate of 25% (2015: 25%) on the estimated assessable profit for the period.

The amount of taxation charged to the condensed consolidated income statement represents:

	<b>Six months ended 30 September 2016 (Unaudited) HK\$'M</b>	Six months ended 30 September 2015 (Unaudited) HK\$'M
Current taxation		
– Hong Kong	<b>395</b>	337
– Mainland China	<b>35</b>	6
Deferred taxation	<b>87</b>	123
Taxation	<b>517</b>	466



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**11 Earnings per unit based upon profit after taxation and before transactions with Unitholders attributable to Unitholders**

	<b>Six months ended 30 September 2016 (Unaudited)</b>	Six months ended 30 September 2015 (Unaudited)
Profit after taxation and before transactions with Unitholders attributable to Unitholders	<b><u>HK\$5,953 million</u></b>	<b><u>HK\$8,009 million</u></b>
Weighted average number of units for the period for calculating basic earnings per unit	<b>2,242,673,993</b>	2,284,355,750
Adjustment for dilutive contingently issuable units under long-term incentive plan	<u>1,929,485</u>	<u>1,423,576</u>
Weighted average number of units for the period for calculating diluted earnings per unit	<b><u>2,244,603,478</u></b>	<b><u>2,285,779,326</u></b>
Basic earnings per unit based upon profit after taxation and before transactions with Unitholders attributable to Unitholders	<b><u>HK\$2.65</u></b>	<b><u>HK\$3.51</u></b>
Diluted earnings per unit based upon profit after taxation and before transactions with Unitholders attributable to Unitholders	<b><u>HK\$2.65</u></b>	<b><u>HK\$3.50</u></b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
(Continued)

**12 Goodwill**

Carrying value  
(Unaudited)  
HK\$'M

At 1 April 2016	487
Exchange adjustments	(4)
Disposal of investment properties	(7)
	<hr/>
<b>At 30 September 2016</b>	<b>476</b>
	<hr/> <hr/>

**13 Investment properties**

(a) Details of the movements of investment properties are as follows:

	Completed properties (Unaudited) HK\$'M	Properties under development (Unaudited) HK\$'M	Total (Unaudited) HK\$'M
At 1 April 2016	154,372	6,300	160,672
Exchange adjustments	(348)	–	(348)
Acquisition ( <i>Note</i> )	6,414	–	6,414
Additions	599	219	818
Disposals	(3,059)	–	(3,059)
Change in fair values	2,717	261	2,978
	<hr/>	<hr/>	<hr/>
<b>At 30 September 2016</b>	<b>160,695</b>	<b>6,780</b>	<b>167,475</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*Note:* Amount represents acquisition consideration including consideration of HK\$5,910 million and related transaction costs for 700 Nathan Road in Mong Kok.

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)**

### **13 Investment properties (Continued)**

#### **(b) Valuation process**

The investment properties were revalued on an open market value basis as at 31 March and 30 September 2016 by CBRE Limited, an independent firm of professional qualified valuers and the principal valuer of Link.

The Manager held discussions with the principal valuer and reviewed all significant inputs used by the principal valuer. Discussions of the valuation processes and results at each reporting date are held between the Manager and the principal valuer.

#### **(c) Valuation techniques**

The principal valuer has relied on the income capitalisation approach, discounted cash flow analysis, direct comparison approach and residual approach, whenever appropriate, as its approaches in valuing the investment properties.

The income capitalisation approach involves the capitalisation of the current passing income and potential reversionary income to arrive at the capital value at an appropriate capitalisation rate. The adopted capitalisation rate reflects the nature, location and tenancy profile of the properties together with the current market investment criteria, as supported by the market evidence. The prevailing market rentals have been obtained through analysis of recent lettings and achievable rentals of the properties and other similar developments in the locality. Adjustments are made accordingly to reflect factors specific to the lease and property.

Discounted cash flow analysis allows an investor or owner to make an assessment of the longer term return that is likely to be derived from a property with a combination of both income and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including a target or pre-selected internal rate of return, net property income, income growth, potential capital expenditure, costs associated with the initial purchase of the property and also its disposal at the end of the investment period.

Residual approach involves the assessment of a property's fair value by assuming its completion at the date of valuation and deducts the estimated future development costs to derive at the residual value of the property under development. A property's fair value adopts a direct comparison approach, making reference to the latest market transaction records of relevant properties in the vicinity. Estimated future development costs include estimated construction costs, professional fee, finance costs, other required costs and an allowance for developer's profit.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
(Continued)

**13 Investment properties (Continued)**

**(c) Valuation techniques (Continued)**

Direct comparison approach involves an analysis of sales transactions of comparable properties with similar type and characteristics of the properties within the neighbourhood areas. Adjustments are made to reflect the differences in relevant factors which are considered to be essential in determining the property values.

The investment properties are included in Level 3 (31 March 2016: Level 3) of the fair value hierarchy.

**(d) Restriction of the Code on Real Estate Investment Trusts (the REIT Code)**

Link acquired a piece of land for commercial development, EC Mall, Corporate Avenue 1 & 2 and 700 Nathan Road in Mong Kok, the completion of which were on 23 February 2015, 1 April 2015, 31 August 2015 and 15 April 2016 respectively. In accordance with the REIT Code, Link is prohibited from disposing of its properties for at least two years from either the time such properties are acquired or the dates of the completion of the development of the properties, unless the Unitholders approved the proposed disposal by way of special resolution passed in accordance with the Trust Deed.

**14 Property, plant and equipment**

	Leasehold improvements (Unaudited) HK\$'M	Motor vehicles (Unaudited) HK\$'M	Equipment (Unaudited) HK\$'M	Total (Unaudited) HK\$'M
At 1 April 2016	8	2	66	76
Additions	1	–	10	11
Depreciation charge for the period	(3)	–	(6)	(9)
<b>At 30 September 2016</b>	<b>6</b>	<b>2</b>	<b>70</b>	<b>78</b>
<b>At 30 September 2016</b>				
Cost	79	5	179	263
Accumulated depreciation	(73)	(3)	(109)	(185)
Net book value	6	2	70	78

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**15 Trade and other receivables**

	<b>30 September 2016 (Unaudited) HK\$'M</b>	31 March 2016 (Audited) HK\$'M
Trade receivables	90	97
Less: provision for impairment of trade receivables	<u>(6)</u>	<u>(5)</u>
Trade receivables – net	84	92
Other receivables	<u>378</u>	<u>343</u>
	<b><u>462</u></b>	<b><u>435</u></b>

The carrying amounts of these receivables approximate their fair values.

There are no specific credit terms given to the tenants. The trade receivables are generally fully covered by the rental deposits/bank guarantees from corresponding tenants.

The ageing of trade receivables, presented based on the due date, is as follows:

	<b>30 September 2016 (Unaudited) HK\$'M</b>	31 March 2016 (Audited) HK\$'M
0 – 30 days	81	88
31 – 90 days	3	4
Over 90 days	<u>6</u>	<u>5</u>
	<b><u>90</u></b>	<b><u>97</u></b>

Monthly rentals in respect of retail and commercial properties are payable in advance by tenants in accordance with the leases while daily gross receipts from car parks are received from the car park operators in arrears.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**16 Cash and cash equivalents and short-term bank deposits**

	<b>30 September 2016 (Unaudited) HK\$'M</b>	31 March 2016 (Audited) HK\$'M
Cash on hand	1	–
Cash at bank	351	237
Short-term bank deposits with original maturity of less than three months	<u>60</u>	<u>99</u>
Cash and cash equivalents	412	336
Short-term bank deposits with original maturity of more than three months	<u>92</u>	<u>118</u>
	<b><u>504</u></b>	<b><u>454</u></b>

**17 Trade payables, receipts in advance and accruals**

	<b>30 September 2016 (Unaudited) HK\$'M</b>	31 March 2016 (Audited) HK\$'M
Trade payables	101	84
Receipts in advance	220	220
Accruals	<u>1,328</u>	<u>1,339</u>
	<b><u>1,649</u></b>	<b><u>1,643</u></b>

The carrying amounts of these payables approximate their fair values.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**17 Trade payables, receipts in advance and accruals (Continued)**

The ageing of trade payables, presented based on the due date, is as follows:

	<b>30 September 2016 (Unaudited) HK\$'M</b>	31 March 2016 (Audited) HK\$'M
0 – 30 days	<b>98</b>	64
31 – 90 days	<b>3</b>	20
	<u><b>101</b></u>	<u>84</u>

**18 Long-term incentive plan provision**

	<b>30 September 2016 (Unaudited) HK\$'M</b>	31 March 2016 (Audited) HK\$'M
Long-term incentive plan provision	<b>79</b>	99
Less: current portion of long-term incentive plan provision	<u><b>(59)</b></u>	<u>(63)</u>
Non-current portion of long-term incentive plan provision	<u><b>20</b></u>	<u>36</u>

A long-term incentive plan (the **LTI Plan**) was approved and adopted by ordinary resolution on 23 July 2007 at the annual general meeting of the Unitholders. The LTI Plan shall be valid and effective for 10 years commencing on the adoption date.

Under the LTI Plan, the Manager may grant three types of awards, the Restricted Unit Award (**RUA**), Unit Option and Conditional Cash Award (**CCA**) (collectively the **Awards**) to directors and key employees of the Manager. Awards are approved by the Remuneration Committee and, in the case of directors of the Manager, by the Board on recommendation of the Remuneration Committee. No Unit Option has been granted since the adoption date.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 18 Long-term incentive plan provision (Continued)

Upon the vesting of RUA, units are to be issued to the grantees on a sliding scale, depending on the scale of achievement against the total Unitholders return (**TUR**) or net property income (**NPI**), where appropriate, providing that the minimum criteria for the performance measure determined by the Remuneration Committee has been met.

The eventual numbers of units to be issued under RUA on vesting, which are linked to the performance of Link based on the TUR, NPI or certain vesting conditions, where appropriate, will range from 0% to 200% of RUA granted. CCA is granted in conjunction with the grant of RUA, bestowing upon the grantee a conditional right to receive a cash payment representing an amount equivalent to the aggregate of the distributions per unit to Unitholders during the vesting period, multiplied by the number of units that will eventually be issued to such grantee pursuant to RUA vested.

During the vesting period, a liability is recognised representing the estimated value of the Awards granted and the portion of the vesting period expired as at the reporting date. The value of the Awards was estimated at the reporting date by Towers Watson Hong Kong Limited, an independent external valuer based on valuation techniques and assumptions on unit prices, outstanding length of the Awards and distribution pay-out rates. The change in value of the outstanding Awards was charged to the condensed consolidated income statement. In the event that the vesting conditions are not met, the amount previously accrued will be written back accordingly.

During the period, the Group issued 1,600,140 units (2015: 1,596,867 units) for RUA vested in accordance with the vesting conditions under the LTI Plan.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
(Continued)**

**18 Long-term incentive plan provision (Continued)**

Movements in the number of RUA during the period and the maximum number of units to be issued upon vesting of RUA are as follows:

<b>Date of grant</b>	<b>Vesting period</b>	<b>Outstanding as at 1 April 2016</b>	<b>Vested during the period<sup>(i)</sup></b>	<b>Lapsed during the period</b>	<b>Outstanding as at 30 September 2016</b>	<b>Maximum to be issued on vesting date<sup>(iii)</sup></b>
20 January 2014	20 January 2014 to 30 June 2016	455,895	(444,490) <sup>(iii)</sup>	(11,405)	-	-
17 July 2014	17 July 2014 to 30 June 2016	435,584	(433,452) <sup>(iii)</sup>	(2,132)	-	-
	17 July 2014 to 30 June 2017	434,035	-	(6,310)	427,725	804,950
24 July 2015	24 July 2015 to 30 June 2017	431,000	-	(9,136)	421,864	804,478
	24 July 2015 to 30 June 2018	431,000	-	(9,511)	421,489	803,728
Subtotal		2,187,514	(877,942)	(38,494)	1,271,078	2,413,156
Additional units vested over 100% of RUA granted		-	(722,198) <sup>(iii)</sup>	-	-	-
Total		<u>2,187,514</u>	<u>(1,600,140)</u>	<u>(38,494)</u>	<u>1,271,078</u>	<u>2,413,156</u>

*Notes:*

- (i) RUA vesting percentages during the period ranged from 177% to 200%.
- (ii) If certain vesting conditions are met.
- (iii) Additional units over 100% of RUA granted were vested pursuant to the relevant vesting conditions.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**19 Interest bearing liabilities**

	<b>30 September 2016 (Unaudited) HK\$'M</b>	31 March 2016 (Audited) HK\$'M
Bank borrowings	<b>12,288</b>	13,223
Medium term notes	<b>17,451</b>	13,701
	<b>29,739</b>	26,924
Less: current portion of interest bearing liabilities	<b>(1,110)</b>	(959)
Non-current portion of interest bearing liabilities	<b><u>28,629</u></b>	<b><u>25,965</u></b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**19 Interest bearing liabilities (Continued)**

Interest bearing liabilities are repayable as follows:

	<b>30 September 2016 (Unaudited) HK\$'M</b>	31 March 2016 (Audited) HK\$'M
<b>Due in the first year</b>		
Medium term notes	1,110	959
<b>Due in the second year</b>		
Bank borrowings	1,991	–
Medium term notes	1,100	300
	3,091	300
<b>Due in the third year</b>		
Bank borrowings	3,974	3,337
Medium term notes	740	1,101
	4,714	4,438
<b>Due in the fourth year</b>		
Bank borrowings	2,472	3,830
Medium term notes	971	1,365
	3,443	5,195
<b>Due in the fifth year</b>		
Bank borrowings	3,337	4,869
Medium term notes	201	349
	3,538	5,218
<b>Due beyond the fifth year</b>		
Bank borrowings	514	1,187
Medium term notes	13,329	9,627
	13,843	10,814
	<b>29,739</b>	<b>26,924</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**19 Interest bearing liabilities (Continued)**

Notes:

- (i) Except for medium term notes of HK\$7,752 million (31 March 2016: HK\$3,857 million) which are denominated in United States Dollars, all the other interest bearing liabilities are denominated in Hong Kong Dollars.
- (ii) All of Link's foreign currencies borrowings are fully hedged into Hong Kong Dollars.
- (iii) The effective interest rate of the interest bearing liabilities (taking into account cross currency swap contracts and interest rate swap contracts) at the reporting date was 2.53% (31 March 2016: 2.57%). The carrying amounts of the interest bearing liabilities approximate their fair values.

**20 Derivative financial instruments**

	<b>30 September 2016 (Unaudited) HK\$'M</b>	<b>31 March 2016 (Audited) HK\$'M</b>
<b>Derivative assets</b>		
<b>Current item</b>		
Designated as fair value hedge		
– interest rate swap contract	–	1
	-----	-----
<b>Non-current items</b>		
Designated as fair value hedge		
– cross currency swap contracts	136	67
– interest rate swap contracts	92	91
	-----	-----
	228	158
	-----	-----
	228	159
	-----	-----
<b>Derivative liabilities</b>		
<b>Current item</b>		
Designated as fair value hedge		
– cross currency swap contract	–	60
	-----	-----
<b>Non-current items</b>		
Designated as cash flow hedge		
– interest rate swap contracts	401	350
Designated as fair value hedge		
– cross currency swap contracts	59	52
	-----	-----
	460	402
	-----	-----
	460	462
	-----	-----
	232	303
	=====	=====

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 20 Derivative financial instruments (Continued)

*Notes:*

- (i) The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2 of the fair value hierarchy.
- (ii) The fair values of cross currency swap contracts and interest rate swap contracts are calculated by reference to the present values of the estimated future cash flows, taking into account market observable yield curves and forward exchange rates at each reporting date. Cross currency swap contracts and interest rate swap contracts are included in Level 2 (31 March 2016: Level 2) of the fair value hierarchy. During the period ended 30 September 2015 and 2016, there were no transfers between the three levels of the fair value hierarchy.

The Group uses cross currency swap contracts and interest rate swap contracts (swapping from foreign currencies to Hong Kong Dollars) to minimise its exposure to movements in foreign currency exchange rates and interest rates in relation to its interest bearing liabilities. The fair values of these cross currency swap contracts and interest rate swap contracts are classified as non-current items should the remaining maturities of the hedged items extend for more than 12 months. Any change in fair values of the effective portion of the cash flow hedges in relation to interest rate swap contracts is recognised in the hedging reserve. Any change in fair values of the fair value hedges in relation to interest rate swap contracts and any change in fair value of cross currency swap contracts are recognised directly in the condensed consolidated income statement. A net amount of HK\$51 million (2015: HK\$58 million) has been debited to the hedging reserve during the period as further set out in Note 23.

As at 30 September 2016, the derivative financial instruments qualifying as cash flow hedges have, in effect, provided the Group with an average fixed interest rate period of 5.7 years on HK\$7,200 million borrowings (31 March 2016: 6.1 years on HK\$7,400 million borrowings) from the reporting date. The notional principal amount and the weighted average fixed interest rate of the outstanding floating rates to fixed rates interest rate swap contracts as at 30 September 2016 were HK\$7,200 million (31 March 2016: HK\$7,400 million) and 1.88% (31 March 2016: 1.86%) respectively. The notional principal amount of the outstanding floating rates to floating rates interest rate swap contracts as at 30 September 2016 was HK\$7,000 million (31 March 2016: HK\$6,000 million).

As at 30 September 2016, the derivative financial instruments qualifying as fair value hedges have, in effect, converted part of the Group borrowings into Hong Kong Dollars fixed rate and floating rates interest bearing liabilities. The notional principal amounts of the outstanding cross currency swap contracts and interest rate swap contracts qualifying as fair value hedges as at 30 September 2016 were HK\$7,753 million (31 March 2016: HK\$4,083 million) and HK\$2,220 million (31 March 2016: HK\$2,220 million) respectively.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**20 Derivative financial instruments (Continued)**

Gains and losses on interest rate swap contracts recognised in the hedging reserve (Note 23) as at 30 September 2016 will be released to the condensed consolidated income statement.

**21 Other non-current liabilities**

	<b>30 September 2016 (Unaudited) HK\$'M</b>	31 March 2016 (Audited) HK\$'M
Amount due to non-controlling interest	<b>2,526</b>	2,439
Non-controlling interest put option obligation	<b>604</b>	580
	<b><u>3,130</u></b>	<b><u>3,019</u></b>

*Notes:*

- (i) On 23 February 2015, the Group through a non-wholly owned subsidiary (the **Project Company**, in which Link has an indirect 60% interest and Nan Fung Development Limited (**Nan Fung**) has an indirect 40% interest) acquired a piece of land for commercial development. For the purpose of funding the commercial development, Nan Fung, a non-controlling interest of the Project Company has contributed cash in proportion to the shareholding ratio to the Project Company. The amount due to non-controlling interest is unsecured, interest bearing at an effective interest rate of 2.5% (31 March 2016: 2.6%), has no fixed repayment term and is not repayable within one year. Such amount due to non-controlling interest including any accrued interest will be repaid from the Project Company's surplus cash after meeting its payment obligations.
- (ii) Pursuant to the shareholders' agreement, Nan Fung has a right to exercise a put option to require Link to purchase all the issued shares Nan Fung holds in the Project Company at the then fair market value, after the second anniversary of the completion of the commercial property development and certain conditions have been satisfied. The non-controlling interest put option obligation was recognised as a financial liability based on a valuation performed by Crowe Horwath (HK) Consulting & Valuation Limited, an independent firm of professional qualified valuers. The valuer has used discounted cash flow as the valuation technique. The valuation is based on various assumptions and calculated by reference to a number of unobservable inputs, including the estimated fair value of the equity interests of the Project Company at the expected time of exercise of the put option, the expected time of exercise itself, the cash flow and the discount rate used. The Manager held discussions with the valuer and reviewed all significant inputs used. Discussions of the valuation processes and results at each reporting date are held between the Manager and the valuer. Fair value of the put option obligation is included in Level 3 (31 March 2016: Level 3) of the fair value hierarchy.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**21 Other non-current liabilities (Continued)**

The movement of non-controlling interest put option obligation during the period is as follows:

	<b>Fair value (Unaudited) HK\$'M</b>
At 1 April 2016	<b>580</b>
Recognised in the condensed consolidated income statement:	
– Fair value loss ( <i>Note 8</i> )	<u>24</u>
<b>At 30 September 2016</b>	<b><u>604</u></b>

**22 Units in issue**

	<b>Number of units (Unaudited)</b>
At 1 April 2016	<b>2,243,148,136</b>
Units bought back for cancellation	<b>(13,407,000)</b>
Units issued under long-term incentive plan	<u>1,600,140</u>
<b>At 30 September 2016</b>	<b><u>2,231,341,276</u></b>

Pursuant to the general mandate granted to the Manager by the Unitholders, the Manager (on behalf of Link) bought back a total of 13,407,000 units (2015: 40,899,000 units) at an aggregate price of HK\$744 million (2015: HK\$1,782 million). All units bought back were cancelled during the period.

Closing price of the units as at 30 September 2016 was HK\$57.00 (31 March 2016: HK\$46.00) per unit. Based on 2,231,341,276 units in issue as at 30 September 2016 (31 March 2016: 2,243,148,136 units), market capitalisation was HK\$127,186 million (31 March 2016: HK\$103,185 million).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**23 Reserves**

	Other reserve (Unaudited) HK\$'M	Hedging reserve (Unaudited) HK\$'M	Exchange reserve (Unaudited) HK\$'M	Earnings retained for cash flow hedge and foreign exchange translation adjustments (Unaudited) HK\$'M	Total reserves (Unaudited) HK\$'M
At 1 April 2016	(580)	(350)	(224)	574	(580)
Cash flow hedges:					
– Change in fair values	–	(106)	–	–	(106)
– Amount transferred to the condensed consolidated income statement ( <i>Note</i> )	–	55	–	–	55
	–	(51)	–	–	(51)
Exchange loss on translation of financial statements	–	–	(360)	–	(360)
Net assets attributable to Unitholders:					
– Amount arising from cash flow hedging reserve and exchange reserve movements	–	–	–	411	411
<b>At 30 September 2016</b>	<b>(580)</b>	<b>(401)</b>	<b>(584)</b>	<b>985</b>	<b>(580)</b>

*Note:* Amount transferred to the condensed consolidated income statement in respect of cash flow hedges was included in “Finance costs” (Note 8).



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
(Continued)

**24 Capital commitments**

	<b>30 September 2016 (Unaudited) HK\$'M</b>	31 March 2016 (Audited) HK\$'M
Capital expenditure of investment properties contracted but not provided for at the end of the period	<u><u>1,048</u></u>	<u><u>843</u></u>

**25 Connected party transactions and significant related party transactions and balances**

Information required to be disclosed concerning related party transactions is set out in this note unless disclosed elsewhere in these condensed consolidated interim financial information.

**(a) Nature of relationship with connected/related parties**

The table set forth below summarises the names of the connected/related parties, as defined in the REIT Code/HKAS 24 (Revised) "Related Party Disclosures", and nature of their relationship with the Group as at 30 September 2016:

<b>Connected/related party</b>	<b>Relationship with the Group</b>
HSBC Institutional Trust Services (Asia) Limited (the <b>Trustee</b> ) *	The Trustee of Link
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (excluding the Trustee and its proprietary subsidiaries) (the <b>HSBC Group</b> ) *	Associates # of the Trustee
CBRE Limited (the <b>Principal Valuer</b> )	The Principal Valuer of Link
Aedas Limited *	Associate # of director
Industrial and Commercial Bank of China (Asia) Limited ( <b>ICBC (Asia)</b> ) (Note)	Associate # of director
Standard Chartered Bank (Hong Kong) Limited ( <b>SCBHK</b> )	Associate # of director
The Chamber of Hong Kong Listed Companies	Associate # of director

\* These connected parties are also considered as related parties of the Group.

# "Associate" has the meaning ascribed to it under the REIT Code.

Note: ICBC (Asia) was an associate of Professor Richard WONG Yue Chim, who retired as a director on 27 July 2016 and since then, ICBC (Asia) ceased to be a connected party of Link.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
(Continued)

**25 Connected party transactions and significant related party transactions and balances**  
(Continued)

**(b) Transactions with connected/related parties**

The following transactions were carried out with connected/related parties:

	<b>Six months ended 30 September 2016 (Unaudited) HK\$'M</b>	Six months ended 30 September 2015 (Unaudited) HK\$'M
Trustee's fee paid and payable to the Trustee <i>(Note (ii))</i>	<b>(8)</b>	(6)
Transactions with the HSBC Group <i>(Note (iii))</i>		
Interest expense and various financing charges to the HSBC Group on interest bearing liabilities, cross currency swap contracts and interest rate swap contracts	<b>(38)</b>	(31)
Rental income from the HSBC Group on leasing of retail units	<b>17</b>	15
Interest income from the HSBC Group on short-term bank deposits	<b>1</b>	–
Transactions with the Principal Valuer <i>(Note (iii))</i>		
Valuation fee	<b>(1)</b>	(1)
Consultancy services fees	<b>(3)</b>	–
Architectural/renovation consultancy services fees paid and payable to Aedas Limited <i>(Note (iii))</i>	<b>(11)</b>	(4)
Transactions with ICBC (Asia) <i>(Notes (iii) and (iv))</i>		
Interest expense and various financing charges to ICBC (Asia) on interest bearing liabilities	<b>(1)</b>	(1)
Rental income from ICBC (Asia) on leasing of retail units	<b>4</b>	5
Transactions with SCBHK <i>(Note (iii))</i>		
Rental income from SCBHK on leasing of retail units	<b>6</b>	7
Interest income from SCBHK on short-term bank deposits	<b>–</b>	1
	<b>–</b>	<b>1</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**25 Connected party transactions and significant related party transactions and balances**  
**(Continued)**

**(b) Transactions with connected/related parties (Continued)**

Notes:

- (i) All connected party transactions were carried out in accordance with the terms of the relevant agreements governing the transactions and in the ordinary course of business.
- (ii) The Trustee is entitled to receive an annual trustee's fee (calculated and paid monthly) at rates ranging from 0.008% per annum to 0.03% per annum of the latest property value as determined in the latest annual valuation report of an independent property valuer recommended by the Manager and appointed by the Trustee for and on behalf of Link from time to time, subject to a minimum of HK\$150,000 per month.
- (iii) The transactions were entered into at arm's length on normal commercial terms.
- (iv) ICBC (Asia) was an associate of Professor Richard WONG Yue Chim, who retired as a director on 27 July 2016 and since then, ICBC (Asia) ceased to be a connected party of Link.

**(c) Balances with related parties**

Balances with related parties are set out below:

	<b>30 September 2016 (Unaudited) HK\$'M</b>	31 March 2016 (Audited) HK\$'M
Trustee's fee payable to the Trustee	(1)	(1)
Interest bearing liabilities with the HSBC Group	(3,165)	(3,689)
Net interest payable to the HSBC Group	-	(3)
Security deposits from the HSBC Group	(2)	(2)
Cross currency swap contracts and interest rate swap contracts with the HSBC Group	(137)	(130)
Deposits placed with the HSBC Group	<u>315</u>	<u>176</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**(Continued)**

**25 Connected party transactions and significant related party transactions and balances**  
**(Continued)**

**(d) Key management compensation**

The aggregate amounts of emoluments of the key management staff of the Group are as follows:

	<b>Six months ended 30 September 2016 (Unaudited) HK\$'M</b>	<b>Six months ended 30 September 2015 (Unaudited) HK\$'M</b>
Fees	<b>5</b>	4
Basic salaries, allowances and other benefits	<b>57</b>	51
Long-term incentive plan awards	<b>44</b>	13
	<b><u>106</u></b>	<b><u>68</u></b>

**26 Approval of the condensed consolidated interim financial information**

The condensed consolidated interim financial information was authorised for issue by the Board on 9 November 2016.

## APPRECIATION

Upon the conclusion of the 2016 annual general meeting of Link held on 27 July 2016, Professor Richard WONG Yue Chim stepped down as our Independent Non-Executive Director after completion of nine years of services. The Board would like to thank Professor Richard WONG Yue Chim for his contributions during the tenure.

The Board would also like to thank all staff for their professionalism, commitment and dedicated services which enable Link to secure the support and loyalty of our tenants and communities we serve. The Board's appreciation is extended to our customers, suppliers and Unitholders for their support and confidence.

## REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE AND AUDITOR

The interim results and the condensed consolidated interim financial information of the Group for the six months ended 30 September 2016 have been reviewed by the Audit and Risk Management Committee. The condensed consolidated interim financial information has also been reviewed by PricewaterhouseCoopers, Link's auditor, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2016, Link and the Manager complied with the Code on Real Estate Investment Trusts, the Securities and Futures Ordinance, applicable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**), the Trust Deed (as amended by supplemental deeds from time to time) of Link, and the compliance manual of the Manager which sets out the key processes, systems and measures and the corporate governance policy in respect of Link.

Link and the Manager also applied the principles and complied with, to the extent appropriate, the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the period.

The corporate governance policy and practices adopted for the six months ended 30 September 2016 remained in line with those in place for the financial year ended 31 March 2016 as disclosed in the corporate governance report in Annual Report 2015/2016. Further details will be set out in Interim Report 2016/2017 of Link.

## BUY-BACK, SALE OR REDEMPTION OF LINK'S LISTED UNITS

During the period under review, the Manager (on behalf of Link) bought back a total of 13,407,000 units on The Stock Exchange of Hong Kong Limited at an aggregate consideration (excluding expenses) of approximately HK\$744 million, details of which are as follows:

Month	Number of units bought back	Purchase price per unit		Aggregate consideration (excluding expenses) HK\$'M
		Highest HK\$	Lowest HK\$	
August 2016	6,985,500	56.00	54.65	387
September 2016	6,421,500	56.00	54.75	357

All the units bought back were cancelled prior to the period end.

Save as disclosed above, neither the Manager nor any of Link's subsidiaries bought back, sold or redeemed any of Link's listed units during the period under review.

## ISSUE OF NEW UNITS

During the period under review, 1,600,140 new units of Link were issued pursuant to the long-term incentive plan of Link. Based on 2,231,341,276 units in issue as at 30 September 2016, the number of new units issued in the period represented approximately 0.07%.

## PUBLIC FLOAT

Based on the information publicly available to the Manager, Link continues to meet the required public float of no less than 25% of its issued units in public hands.

## INTERIM DISTRIBUTION AND CLOSURE OF REGISTER OF UNITHOLDERS

Interim distribution of HK111.75 cents per unit in cash for the six months ended 30 September 2016 will be paid on Friday, 2 December 2016 to those Unitholders whose names appear on the register of Unitholders of Link on Monday, 28 November 2016. For the purpose of ascertaining Unitholders' entitlement to the interim cash distribution, the register of Unitholders of Link will be closed from Thursday, 24 November 2016 to Monday, 28 November 2016 (both days inclusive) during which period no transfer of units will be registered. In order to qualify for the interim cash distribution, all transfer documents accompanied by the relevant unit certificates must be lodged with Link's unit registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 November 2016.

## DESPATCH OF INTERIM REPORT 2016/2017

Interim Report 2016/2017 of Link will be despatched to Unitholders on Tuesday, 29 November 2016.

By order of the board of directors of  
**Link Asset Management Limited**  
**(as manager of Link Real Estate Investment Trust)**  
**Ricky CHAN Ming Tak**  
*Company Secretary*

Hong Kong, 9 November 2016

*As at the date of this announcement, the Board of the Manager comprises:*

*Chairman (also an Independent Non-Executive Director)*

Nicholas Charles ALLEN

*Executive Directors*

George Kwok Lung HONGCHOY (*Chief Executive Officer*)

Andy CHEUNG Lee Ming (*Chief Financial Officer*)

*Non-Executive Director*

Ian Keith GRIFFITHS

*Independent Non-Executive Directors*

William CHAN Chak Cheung

Ed CHAN Yiu Cheong

Blair Chilton PICKERELL

Poh Lee TAN

May Siew Boi TAN

Peter TSE Pak Wing

Nancy TSE Sau Ling

David Charles WATT

Elaine Carole YOUNG