

We **Link**
People to a
Brighter Future



Contents

> Our Overview

Introduction	Inside front
Our Portfolio	2
2016/2017 Performance Highlights	4

> Our Strategy

Value Creation Model	6
Engaging with Our Stakeholders	8
Chairman's Statement	10
Chief Executive Officer's Report	14

> Our Performance

Understanding Those Around Us	18
Knowing the Operating Environment	22
Aligning People and Expectations	26
Delivering and Building for the Future	30
Performance Review	34
– Strategic Priorities	
– Financial Review	

> Our Governance

Risk Management	54
Corporate Governance	58

> Our Investors

Investor Information	60
Definitions and Glossary Terms	62
Corporate Information	Inside back

About Link

Link Real Estate Investment Trust is the first REIT listed on the Stock Exchange and is a constituent of the Hang Seng Index. We are Asia's largest REIT and also one of the world's largest retail focused REITs in terms of market capitalisation. With a diversified portfolio that consists of retail facilities, car parks and offices across Hong Kong, Beijing, Shanghai and Guangzhou, we aim to deliver sustainable growth and create long-term value for our Unitholders.

About the Strategic Report

Our 2016/2017 Strategic Report covers our performance from 1 April 2016 to 31 March 2017 and has been prepared according to the International Integrated Reporting Council's <IR> Framework. We highlight the interactions among financial, environmental, social and governance factors and underline their influence on our long-term sustainable development.

The information reported here is consistent with indicators used for our internal management and Board reports and are comparable with our previous Integrated Reports.

Materiality

This report has been structured according to Link's corporate Value Creation Model which combines our business model and sustainability framework and outlines four strategic priorities. The Board believes these strategic priorities represent the material opportunities that will drive value creation for stakeholders. These material opportunities have been developed taking into account our industry trends, the environment in which Link operates, feedback from our key stakeholders and the inherent risks of our business. The Board reviews and approves the strategic objectives on an annual basis.

Complete 2016/2017 Reports and Presentations

Our complete suite of reports and presentations can be accessed and downloaded from our corporate website at Linkreit.com

STRATEGIC REPORT

Our Strategic Report, compiled according to the International Integrated Reporting Council's <IR> Framework, presents a comprehensive, but concise, overview of how we create value for different stakeholders and the progress we have made on our strategic priorities.

GOVERNANCE, DISCLOSURES AND FINANCIAL STATEMENTS

This report provides our detailed governance, disclosures and financial statements. Governance and disclosures sections are prepared in accordance with the REIT Code, applicable provisions of the Listing Rules, and other relevant laws and regulations while the consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards, the requirements of the Trust Deed and the relevant disclosure requirements of the REIT Code and audited by PricewaterhouseCoopers.

VALUATION REPORT

This report summarises the market value of Link's individual properties as valued by Jones Lang LaSalle Limited.

SUSTAINABILITY WEBSITE

Up until 2013/2014, Link prepared separate annual sustainability reports which are on our corporate sustainability website. Since then we update our corporate sustainability performance on our website and incorporate the information in the Strategic Report. This can be accessed at Linkreit.com/sustainability

COMPLIANCE DOCUMENTATION

- Stock Exchange's Environmental, Social and Governance Reporting Guide
- Global Reporting Initiatives G4 Sustainability Reporting Guidelines - Comprehensive Option
- United Nations Global Compact



Access our corporate website
for further information

A world class real estate investor and manager, serving and improving the lives of those around us...

VISION

MISSION

... By building relationships with our stakeholders – through

- providing value and quality service
- partnering with local communities
- delivering sustainable growth

This is how ...

We **Link** People to a
Brighter Future

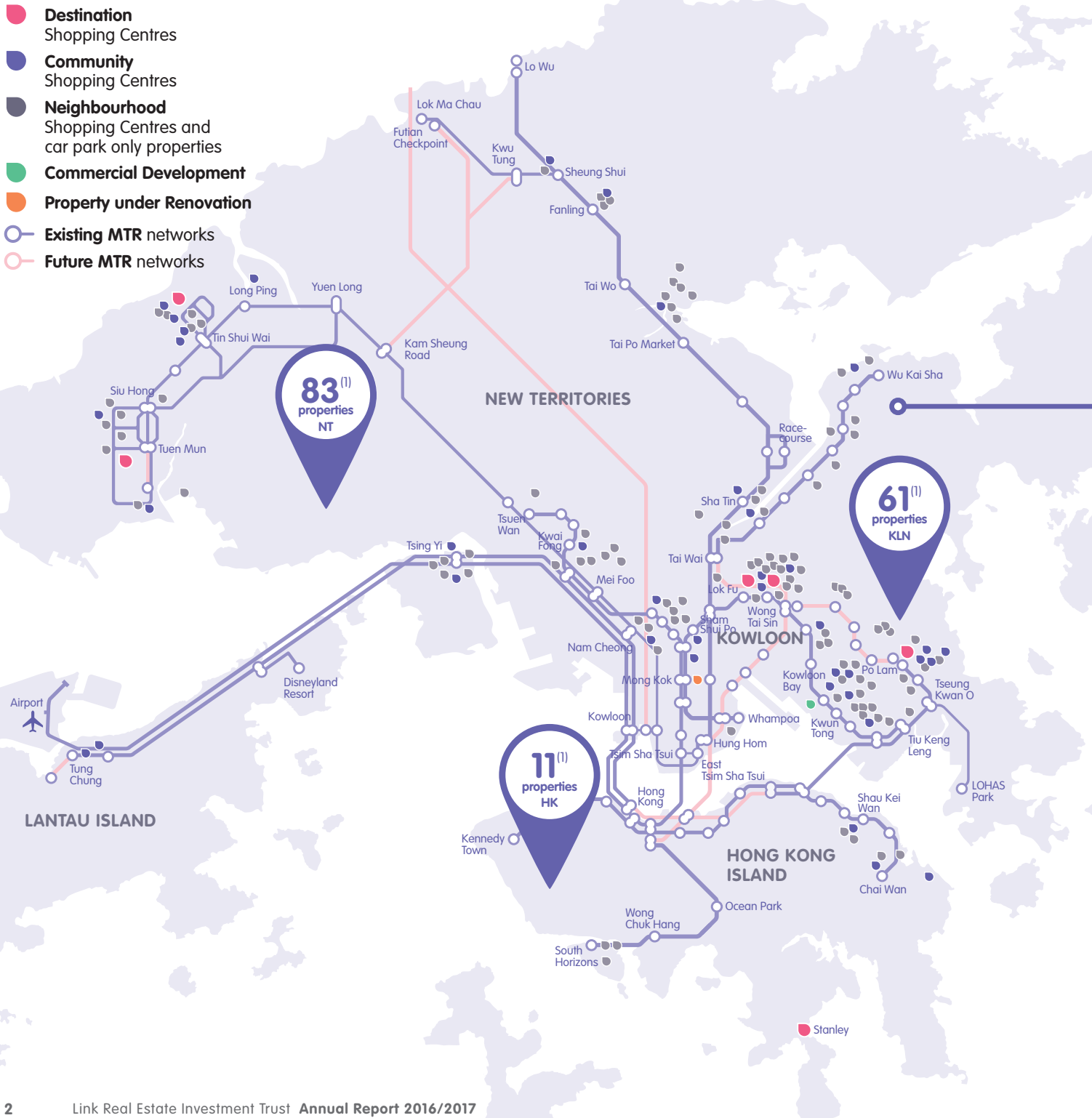
VALUES

... and managing and operating our business with

- Respect
- Excellence
- Integrity
- Teamwork

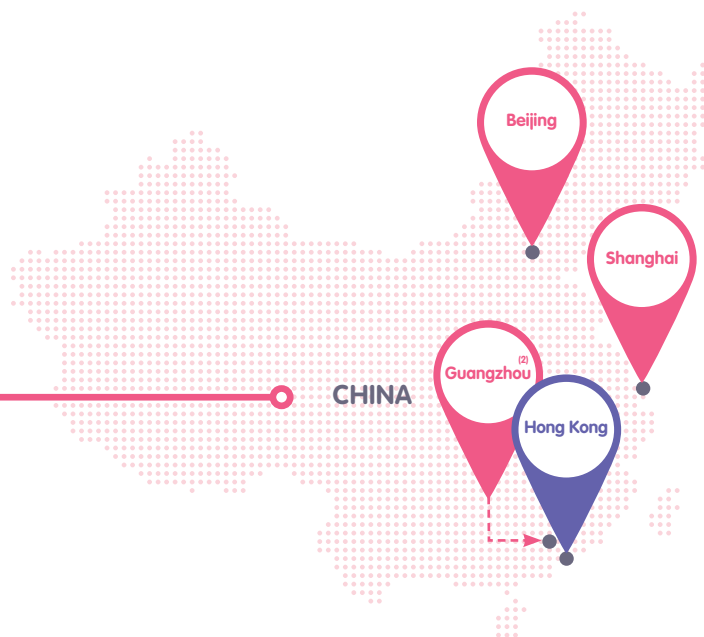
Our Portfolio

Our portfolio includes retail facilities, car parks and offices across Hong Kong, Beijing, Shanghai and Guangzhou. These multiple segments form a solid, diversified platform to create more value.



3⁽²⁾Properties in
Mainland China**~3 million sq ft⁽²⁾**

Retail and office space

**155⁽¹⁾**Properties across
Hong Kong**69,000⁽¹⁾**

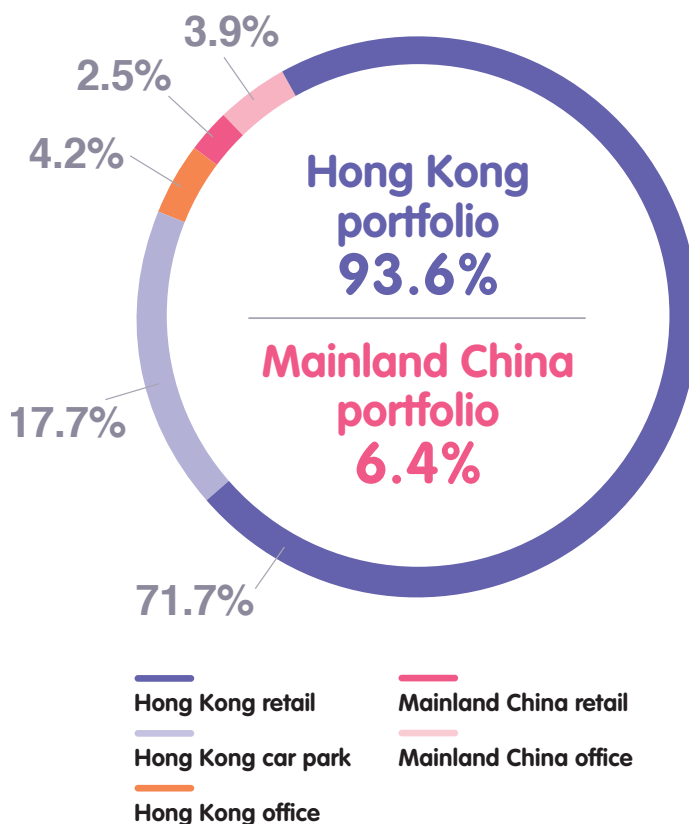
Car park spaces

884,000 sq ft⁽¹⁾

Under development

~10 million sq ft⁽¹⁾

Retail space

Portfolio mix by value⁽¹⁾

Notes:

(1) As at 31 March 2017.

(2) Pro-forma portfolio mix has also taken into account the newly acquired property in Guangzhou which was completed after this financial year end in May 2017.

Pro-forma portfolio mix⁽²⁾:

Hong Kong portfolio

91.2%

Mainland China portfolio

8.8%

2016/2017 Performance Highlights

Link's business value is determined by our financial achievements and non-financial contributions. Our performance indicators are based on our core values, environmental stewardship priorities and extensive engagement with tenants, shoppers, staff, local communities, investors and business partners.

↑ **5.9%**
Revenue
(HK\$'M)
9,255

↑ **7.4%**
**Net Property
Income**
(HK\$'M)
6,994

↑ **8.3%**
Valuation
(HK\$'M)
174,006

↑ **10.8%**
Distribution Per Unit
(HK cents)
228.41

A Platform for Tenants to Flourish

**+4.0%**Tenant Sales Growth
in Hong Kong**96%**Occupancy in
Hong Kong**100%**Occupancy in
Mainland China**12.1%**Rent-to-sales Ratio
in Hong Kong**81/100**Mystery Shopper
Programme Score**53**Enhancement
Projects Completed
to Date

Social Contributions that Enhance the Community

**HK\$38.1 million**Donated through Link
Together Initiatives since 2013**~18,000**Tenant Academy
Participants since 2008**28.2%**Energy Consumption Reduction
in Hong Kong since 2010

For the process of how we create value for those around us, please see pages 6-7.

Value Creation Model

1 To realise our vision

Be a world class real estate investor and manager, serving and improving the lives of those around us

How We Link People to a Brighter Future



FINANCIAL

Continuous improvement of financial returns



NATURAL

A stable and viable natural environment



MANUFACTURED

A productive portfolio of high quality, sustainable properties



SOCIAL & RELATIONSHIP

Positive relationships with our tenants, shoppers and communities



HUMAN

A talented, engaged and high performing workforce



INTELLECTUAL

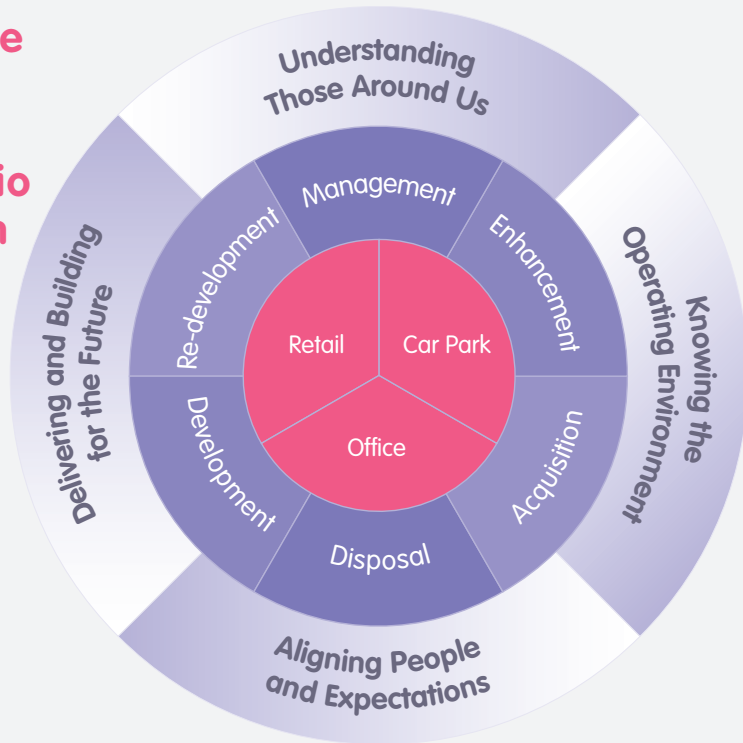
A sector leading body of sustainable community development knowledge

5 Which create value and enhance our capitals

2 We focus on stakeholder expectations

OUR COMMUNITIES
OUR EMPLOYEES
OUR INVESTORS
OUR TENANTS
OUR BUSINESS PARTNERS

3 Using our unique business model that manages a property portfolio using six growth drivers



4 To deliver our strategic priorities

- 1 Building a more productive and higher quality portfolio
- 2 Maintaining a prudent and flexible capital structure
- 3 Developing a strong management team
- 4 Helping our tenants and communities grow while delighting our shoppers



Engaging with Our Stakeholders

Communication and collaboration with stakeholders across our value chain are essential to delivering on our strategic priorities. We are committed to engage in open, two-way dialogues that inform us of what we are doing well while alerting us on how to improve in other areas. This enables us to create value for those around us.

Understanding our stakeholders' expectations helps us respond effectively through our business model and strategy. Here we outline why we engage with our stakeholders and their key interests. How we work to meet their expectations is outlined in our Strategic Priorities section.

OUR INVESTORS

Institutional and retail investors of Link

Why we engage:

We engage with Unitholders and fixed-income investors, as the providers of capital necessary to support our growth, to keep them up to date on the financial performance and overall sustainability of Link.

Their key interests:

Distribution growth, future business prospects, strategy execution, portfolio value, timely information and sound corporate governance.

OUR COMMUNITIES

People that live in the communities we serve

Why we engage:

Our properties are an extension of the living rooms of the people living in the communities around us.

Their key interests:

Clean shopping environments, retail and entertainment offerings, choice and variety, reasonable priced products and services.

OUR EMPLOYEES

Over 900 direct employees

Why we engage:

Our people are what enable Link to deliver on our brand promise.

Their key interests:

Job satisfaction, career development, improved knowledge sharing, engagement, building skills in line with future business growth and being competitively remunerated.

OUR TENANTS

Strategic business partners involving over 11,000 tenancies

Why we engage:

Our tenants are our strategic partners in delivering a desirable shopping environment to our shoppers.

Their key interests:

Shopper footfall, tenant mix improvement, initiatives to enhance the shopping experience and attract shoppers, changes in consumer spending, increasing competition and rental escalation.

OUR BUSINESS PARTNERS

Suppliers and vendors

Service providers that enable us to deliver quality service

Why we engage:

Suppliers and vendors impact our ability to provide products and deliver services. They are required to comply with our health and safety and ethical procurement standards. Engaging with them contributes to business continuity, viability and operational efficiency.

Their key interests:

Timely payment, fair business practices and acquiring skills that may enhance their ability to deliver services.

Media

Media partners that publicise Link in different aspects

Why we engage:

The media keep Link's stakeholders informed of business developments, new products and services and the impact of our business operations.

Their key interests:

Tenant and community issues, being informed of key activities and offerings and transparency.

NGOs

International organisations, local industry associations, environmental groups and community-based service groups

Why we engage:

NGOs represent the views of many public stakeholder groups and can serve as another channel to engage with different parties.

Their key interests:

Environmental impact, corporate sustainability and responsible business practices.

Government

Government officials and members of the Hong Kong Legislative Council and District Councils

Why we engage:

Our relationships with government and regulators impact on our ability to contribute towards broader economic, social and environmental objectives.

Their key interests:

Facilitation of socioeconomic growth, regulatory compliance, environmental impact and corporate governance.

Chairman's Statement

Nicholas Charles ALLEN



Reporting to you with my first full year as Chairman of Link now completed, I am pleased to share with you Link's 2016/2017 annual report. It has been an active and rewarding year for Link.

The company experienced another year of strength with revenues reaching HK\$9,255 million, representing a 5.9% increase from the previous year. We have progressed significantly in business expansion through our strategic asset acquisitions and property enhancement programmes. The distribution per unit increased by 10.8% year-on-year to HK228.41 cents, marking another year-on-year increase in returns to our Unitholders. This is the 11th consecutive year of solid performance for the business.

When I stepped into my role as Chairman in April 2016, my priority was to meet as many people as possible inside and outside of our business, to listen and learn more about Link's challenges and opportunities and importantly, to learn first-hand of the public's perception of our business. An initial observation is that as a progressive business with strong ties to the daily livelihood needs of local communities, we are often, fairly or not, a lightning rod for public criticism and debate.

One such example came from a group of local citizens concerned about the potential

impact of our fresh market strategy on existing food prices and selection. From a Unitholder's perspective, our fresh market enhancement projects have yielded strong returns, and our fresh market business has grown to contributing nearly 10% of our revenues. However, in today's business climate, it is no longer enough to ensure that our decisions are financially sound and create value for investors alone. To be a sustainable organisation, we must create value for all stakeholders, be it in terms of a better value for money shopping experience or by reinvigorating what many had viewed to be a declining industry. Herein lies the impetus to do better business and ensure our long-term sustainability so that we do indeed **Link People to a Brighter Future**. From this value creation perspective, our fresh markets have proven to be attractive locations for shopping, offering wider variety and competitive prices, and for local vendors to thrive and prosper. This is evidenced by the consistent high footfall and occupancy rates at all our renovated markets.

Highlights

Link will continue to raise the bar to improve operational performance and make further progress.

See pages 4-5 for *2016/2017 Performance Highlights*.

To be a sustainable organisation, we must create value for all stakeholders. Link's Value Creation Model consolidates our business model and Sustainability Framework.

See pages 6-7 for Link's *Value Creation Model*.

Building on this experience, we have the opportunity to positively shape the broader environmental, social and non-financial impacts of our business. What I have learned personally from these many meetings is that the continued sustainability of our business is contingent on consistently improving towards a holistic management approach that focuses on understanding those around us, knowing the sustainability context in which we operate, aligning stakeholder expectations and delivering value while building for the future. With this perspective in mind on how we do business

and without diminishing our responsibilities as a listed company, I introduce in this year's report Link's Value Creation Model. It takes the important step to consolidate the two driving forces of our business – the business model and the Sustainability Framework – so that we can indeed implement this holistic management approach from a single platform. The model guides our decision making and enables us to better articulate the broadened impact of our initiatives. Details of how we implement the Value Creation Model can be found on pages 6-7.



The Board visited our latest Hong Kong acquisition at 700 Nathan Road in Mong Kok.



Link Together Initiatives is our flagship programme to engage the community. Supported programmes such as the Hong Kong Guide Dog Association complement our corporate efforts to create inclusive, barrier-free properties.

Link's corporate governance structure has always been a corporate mainstay of strength and reputation. I am pleased to say the Board continues to function effectively with our members bringing in diverse experience and skills to challenge and support the management team. The Board is committed to leading by example, visiting properties, meeting regularly with senior management and tracking changes in key risks and reputational issues. In September 2016 an independent Board evaluation was conducted to appraise the overall effectiveness of the Board and the Board Committees. We share the details of the Board evaluation, remuneration policy and long-term incentive plan in the *Governance, Disclosures and Financial Statements* report.

Looking ahead and supported by our strong management team, the business will continue to grow prudently. We expect that the economic and social uncertainty experienced in 2016/2017 will remain in place in the coming 2017/2018 year. With greater focus on value creation for all stakeholders, we seek to establish stronger ties within the communities where we operate to mitigate negative perceptions and publicity and enhance our standing in developing true community assets.

Having established and strengthened our vision of serving and improving the lives of all those around us and the solid

business foundation that looks towards the future, I am confident Link will continue to raise the bar to improve operational performance and make further progress towards being a world class real estate investor and manager.

Finally, on behalf of myself and the Board of Directors, I extend my special thanks to our CEO, George Hongchoy, our senior management team and the entire Link staff for their tireless efforts and dedication in all areas of our business. Without their support and positive outlook, we would not be the strong company we are today.

Nicholas Charles ALLEN

Chairman

Link Asset Management Limited
As Manager of
Link Real Estate Investment Trust
7 June 2017

Chief Executive Officer's Report

George Kwok Lung HONGCHOY



Looking back on 2016/2017, I am very proud Link continued to be successful in doing what we do best – creating thriving and vibrant communities that **Link People To a Brighter Future**. This is the promise that drives us. It strengthens our business resilience, ignites our innovation and enables us to deliver for our communities, tenants, shoppers, business partners and the environment. This ultimately allows us to create long-term value for our business and Unitholders.

We are Building Momentum on Our Strategy

Link has a strong business and is committed to delivering steady, sustainable and increasing returns to our Unitholders. We continue to grow organically by extracting value from our existing portfolio while safeguarding our long-term growth by diversifying beyond limited property types and single geography.

2016/2017 was characterised by a weak retail market and uncertain economic environment which persisted throughout the year. However, our continuous efforts to better understand and align stakeholder expectations, improve efficiency by segmenting our portfolio, and introducing the asset management model helped mitigate these challenges. We built on these initiatives in 2016/2017 and have emerged as a stronger and more efficient business that can adapt to market challenges and seize growth opportunities.

Management and Enhancement of our assets remain our core strengths and continue to underpin the solid business

model and unlock the full value of our portfolio. Over the last two years, we have evolved this business model by refining our portfolio through Disposal, capitalising on new opportunities via Acquisition and Development, and nurturing a corporate culture that focuses on value creation.

In 2016/2017 these growth drivers yielded significant accomplishments including completing nine enhancement projects, diversifying our portfolio by completing the acquisition of 700 Nathan Road at the start of the year, and by announcing the acquisition of Metropolitan Plaza in Guangzhou, China subsequent to the financial year ended 31 March 2017. In May 2016 and February 2017, we successfully disposed of 14 assets for an aggregate consideration of HK\$7.3 billion which represented a premium of 24% to their most recent valuations.

Our asset management model introduced in April 2016 has been very successful. This approach enables us to identify opportunities to enhance portfolio value while prioritising and streamlining work

Highlights

As we move forward, Link's ability to continue growing and meeting expectations will depend on the strength of our relationships with our tenants.

See pages 8-9 for *Engaging with Our Stakeholders*.

We continue to grow organically by extracting value from our existing portfolio while safeguarding our long-term growth.

See pages 34-41 for *Building a More Productive and Higher Quality Portfolio*.

Link is more than a business. We are an organisation deeply rooted across the communities in which we operate.

See pages 48-50 for *Helping Our Tenants and Communities Grow While Delighting Shoppers*.

across multiple properties. As a result, we will be increasing the number of properties managed under the asset management model to over 40 assets in Hong Kong. We will continue to have a dedicated China asset management team that focuses solely on managing our Mainland China properties.

These efforts contributed to delivering another year of strong performance. We continued our track record of year-on-year improvements, with higher revenue and net property income growing by 5.9% and 7.4% respectively. The 10.8% and 8.3% year-on-year increase in distribution per unit and valuation of our portfolio are clear indicators that we are managing and growing our business effectively. Link continues to outperform most indices, global peers and other REITs and I am confident this proven business strategy will continue to yield strong results for years to come.

Moving Forward, We Need to Pause and Think

Link has come a long way since 2005. We have made great strides in putting together a straightforward and resilient business model anchored by proven growth drivers. This business model can remain productive for the next 10 years and beyond, as we move closer to realising our Vision of being “a world class real estate investor and manager”. However, we cannot simply rely on executing a proven business model; we must also be vigilant in identifying ways to improve and grow.

Link is more than a business. We are an organisation deeply rooted across the communities in which we operate. Therein lies the challenge, that while our business will indeed grow, the quality and rate of growth need to take into account the long-term well-being of those around us. The significance of which is recognised in the entirety of our Vision, to be “a world class real estate investor and manager, serving and improving the lives of those around us.” It is in our interest to ensure that our business creates value and opportunities so that our tenants, the communities around us and even the cities in which we operate flourish.

We have made strides to ensure our positive impact, evidenced by our ongoing efforts to attain insight and foster stronger relationships with communities. This deeper understanding differentiates us and forms the basis of our competitive advantage. Focusing on areas that we know matter most to our customers – providing more variety and accessibility, managing environmental impacts across our business, and strengthening our working relationship with suppliers – are what ultimately secure our long-term license to operate. As a manager, we have to establish robust non-financial indicators to monitor and measure our impact.

We foresee that an uneasy political and economic environment will remain in place for the near future. To lessen these impacts, we have placed strong emphasis on building our social and relationship capital through traditional means of focus groups and working with key opinion leaders, to social media and regular outreach. These are supported by closer collaboration with non-governmental organisations and community leaders to better understand community expectations. I take great pride that Link has developed the expertise and agility to understand the detailed expectations of stakeholders in local communities, while maintaining a world class service that attracts partnerships with globally-renowned retail brands, and ultimately mirroring the needs of our shoppers by providing variety and choice. These efforts have helped us improve on our public perception every year. Even though there is still much room to grow and improve, this trend is promising and shows we are on the right track to build our properties to become the preferred destinations of tenants and shoppers.

Enhancing convenience and increasing accessibility between our tenants and shoppers is one way we serve and improve the lives of those around us. During the year, we completed our five-year Barrier Free Access Programme in which we invested HK\$211 million to ensure our properties are accessible by all. Our Park & Dine mobile app launched in 2015 has been downloaded over 150,000 times to

I take great pride that Link has developed the expertise and agility to understand the detailed expectations of stakeholders.

date and is one of the most popular apps in Hong Kong. The award-winning app gives users easy access to shopping, dining and parking information across our portfolio on a real time basis. Aside from enhancing the shopping experience, Park & Dine mobile app provides unique opportunities to gain insight into how we can continually improve our properties to meet shoppers' expectations.

Managing our large portfolio comes with its challenges. Neighbourhood, Community and Destination Shopping Centres each have varying levels of service offerings and management skill requirements. To meet tenant and shopper expectations we rely on engaging and aligning our service providers and contractors to deliver consistent and quality service. This is measured by our Mystery Shopper Programme, which has been in place for five years. Link continues to maintain a high level of performance in this independently-assessed metric.

When the community does well, we do well. Since launching in 2013/2014, Link Together Initiatives continues to develop and has donated HK\$38.1 million to the communities around us. Established with the intention to strengthen the well-being of the youth and elderly, we are using our resources – our properties, staff and tenants – to connect and inspire communities and link them to a brighter future. The total impact – social, economic and environmental – of some of these initiatives has been estimated and can be accessed on our corporate sustainability website.

As we move forward, Link's ability to continue growing and meeting expectations will depend on the strength of our relationships with our tenants. Tenant Academy, festive marketing events and promotional activities are designed to maximise growth opportunities for our tenants and have been very successful. These have helped to maintain our occupancy rates at 96% and 100% in Hong Kong and Mainland China respectively. Our tenants' sales growth, a key metric to illustrate whether they and Link are growing together, has maintained at an encouraging level of 4.0% which is comparable to the previous year, despite the decline in the overall Hong Kong retail market.

Our business has evolved significantly over the past few years, and we have been diligently developing our talent. Link's Competency Framework was introduced in late 2016/2017 to outline core competencies and skills required for different work functions. More importantly, the framework provides a roadmap for our talent to know which skills to develop in order to further their personal and professional growth. This empowers our people to improve our business and make better decisions. I want to thank all our staff for their commitment and passion to serve and improve the lives of those around us.

Outlook

We believe the retail market in Asia will improve over the next year, and we are well positioned to capitalise on the right opportunities that may emerge to strengthen our portfolio. While we anticipate that interest rates are likely to rise steadily, our prudent capital management approach minimises the potential impact.

In 2017/2018 we will continue to use our growth drivers to capture value from our existing portfolio while exploring opportunities to streamline our portfolio further and secure long-term growth. Our business remains committed to cultivating and fostering strong community relationships – an approach that will help both the communities around us and our business to flourish.

In closing, I am proud of where we are, and I am excited about where we will go. We head into 2017/2018 with our business in excellent shape both financially and non-financially. Our consistent performance underlines the success of our decision making and positions us well to deliver on our brand promise to **Link People to a Brighter Future**.

George Kwok Lung HONGCHOY

Chief Executive Officer

Link Asset Management Limited
As Manager of
Link Real Estate Investment Trust
7 June 2017

We believe the retail market in Asia will improve over the next year, and we are well positioned to capitalise on the right opportunities that may emerge to strengthen our portfolio.

Understanding Those Around Us

Knowing and understanding those around us is at the heart of our asset management expertise. This gives us insight into what motivates shoppers to shop at our properties, tenants to choose our portfolio to grow in, talent to develop their careers with us, and investors to believe in our business and brand. We capture this information through multiple channels including surveys, focus groups, meetings and on-site observations. Their feedback establishes a baseline for us to monitor and track how we improve in meeting their expectations. This enables us to develop and deliver a comprehensive strategy that enhances the resilience of Link to future changes.



80%

General public rated “positive” and “neutral” towards Link during perception audit



6

External professionals in Sustainability Advisory Committee



Over 150,000

Downloads of Park & Dine mobile app since 2015

Perception Audit

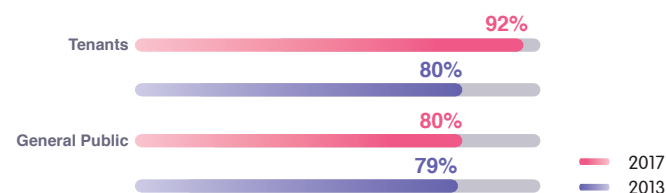
Seeing Ourselves from Others' Perspectives

Assessing our performance from the perspectives of those around us strengthens our business by highlighting what we do well, and more importantly, where we can improve. This guides our ability to consistently anticipate and align our services and offerings more closely with the evolving needs of those around us. It helps ensure that our properties remain preferred destinations of shoppers and tenants.



Since 2013, we have commissioned external consultants to conduct independent perception audits that covered the opinions of our shoppers, tenants, analysts, key opinion leaders and the media. Audit results showed that our asset enhancement projects and corporate social responsibility programmes have continually enhanced the image of Link. The branding campaigns were also positively perceived.

Improved Perception



Sustainability Advisory Committee

Listening and Learning from Experts

As a growing business that touches the everyday lives of those around us, we seek and value constructive feedback that can accelerate our development. Sustainability is an important part of Link's business philosophy. It is the foundation for guiding our decision making and articulating our Value Creation Model.

In 2014 we established the Sustainability Advisory Committee (SAC) comprising experts and professionals from academia, non-governmental organisations, tenants and business community. The SAC has strongly influenced Link's approach to environmental, social, governance and policy issues. It has played a key role in shaping corporate decision making to ensure we manage our business using a balanced approach that creates value for investors, communities, tenants, staff and business partners. Key issues that the SAC raised and challenged Link in 2016/2017 include waste management, green financing and quantifying the impact of Link's community initiatives.

To strengthen the connection to strategy development at the Board level, starting from 2017/2018, Nicholas Allen, Chairman of Link, took over as chairman of the SAC from George Hongchoy, CEO of Link.

Link's Park & Dine Mobile App

A day in the life of our shoppers — knowing and supporting their journey

1 Searching for shopping destinations and events and promotions



5

Accessing
"e-Coupons" to
enjoy shopping/
dining offers



4 Using "e-Queuing" to get a seating number at a favourite restaurant

3

Using "Find My Car" to record and remind parking location





Find My Car



Fresh Market



e-Queuing



Link WiFi



e-Coupon



e-Directory

2

Checking
real-time
car park
space
availability



Shoppers have an overwhelming abundance of choices of where to shop, at both physical retail locations and online. They have high expectations and little loyalty to spare if brands fail to meet them. To overcome this, we need to find ways to increase customer value for our shoppers. In 2014, Link established the Customer Experience Management team to walk through a typical shopper's journey at our properties. Through a series of interviews and surveys we gained insights into customer pleasure points, pain points and decision points along their Link shopping journey – starting from parking at our car parks, to shopping at our fresh markets to eating at our shopping centres. With this information, as well as being inspired by a similar app available at EC Mall in Beijing, we developed the Link Park & Dine mobile app, a digital solution that gives our shoppers access to navigate a world of choices across over 150 properties.

+ Innovative Deployment of Technologies

Our Park & Dine mobile app was one of the first to apply low energy-consuming Bluetooth technology to offer a Find My Car function.

+ Evolving with Our Customers

Park & Dine mobile app strives to deliver on our brand promise to Link People to a Brighter Future. It has garnered industry-wide recognition for its effectiveness and innovation. By putting practical functions, convenient services and relevant promotions into the hands of our customers, we are helping our tenants and communities grow while delighting shoppers.

+ Connecting People Literally

We are adding WiFi access across our portfolio, making our properties truly connecting points of the community. This brings us another step closer to our shoppers and opens a new channel to engage and understand them.

+ Empowering Tenants

Park & Dine mobile app does not just benefit users, it is also a powerful business tool for tenants to attract new customers, engage existing ones and improve their customer experience. Dining features such as e-Queuing do away with the hassle of waiting in line. e-Coupons provide timely offers while also gaining valuable customer insight. Through the app, redemption data of e-Queuing and e-Coupons can be shared with related tenants so that they may make better informed business decisions.

+ Looking Forward

The potential of our Park & Dine mobile app will be unlocked with increased customer analytic capabilities and electronic payment, all of which enhance shopper experience.

Knowing the Operating Environment

Link is a resilient and agile business. We achieve this by paying close attention to the changing dynamics of our operating environments and knowing what the potential resulting impacts to our business may be. This allows us to fine tune our business strategy so that we are always ready to manage challenges and capture opportunities.



95%

Percentage of total spending done offline by Link's shoppers



+6.7%

(1Q17, YoY)

Growth in monthly median household income for public rental housing in Hong Kong



+6.9%

(1Q17, YoY)

Gross domestic product growth in China

Retail Industry Trends in Hong Kong for 2017

Shopper Preferences are Evolving, Demanding More Transparency and Sustainability

Shoppers are more informed and increasingly gravitating towards companies who reveal details of their operations, including what materials they use, product origins and supply chain ethics. This will affect the tenants and service providers that we work with, which impact the choice and variety offered at our shopping centres. Link works with tenants, service providers and contractors through CONNECTION and Tenant Academy to raise their awareness to these trends. Please refer to pages 27 to 29 for further details.

Growth of Retail-tainment

Shopping centres are evolving to integrate leisure activities as a means to draw footfall and capture and extend shopper dwell time. This is a growing trend that sees a shift away from traditional shopping mall tenant mix towards expanded offerings focused on healthy lifestyle, entertainment and catering to evolving consumer food preferences. Over recent years, Link has been introducing tenants such as gyms and kids entertainment into our portfolio to address such new demand. Another key trend in Hong Kong is the growing number of families preferring to dine out. To accommodate this, since 2010, we have increased the number of F&B tenants by 22% and they currently represent about 30% of our total retail area.

Impact of e-Commerce

With a retail focused portfolio, we continuously monitor the potential impact of e-Commerce to our business. With one of the highest internet penetration rates in the world, e-Commerce will likely continue to gain traction in 2017 and beyond. However, Hong Kong continues to favour shopping at physical stores. In the past year, Link commissioned a study on online sales penetration within our catchment and found that online sales accounted for 5% of spending among our catchment. Such online spending focused mainly on discretionary categories such as fashion items, electronic goods, travel products and banking/financial services. The outlook of e-Commerce impact on Link will likely be minimal as transactions – particularly among communities around our shopping centres – will largely rely on store purchases due to relative convenience and the ability to “feel and touch”.



Macroeconomics

Our core portfolio remains in Hong Kong with a number of assets in Mainland China. Understanding the operating landscape is important to let us position ourselves to weather possible market turmoil for sustainable return.

Key Market Trends in Hong Kong



Stronger Gross Domestic Product Growth

Gross domestic product in 1Q 2017 grew to 4.3% and the general economy is expected to grow at 2% to 3% for 2017, supported by a resilient labour market with favourable employment and income conditions.

+4.3% (1Q17, YoY)

Source: Hong Kong Census and Statistics Department

Continuously Low Unemployment Rate

Nearly full employment continued to prevail, with the unemployment rate edging down in 1Q 2017.

3.2% (1Q17, YoY)

Note: Seasonally adjusted figure

Source: Hong Kong Census and Statistics Department

High Car Park Demand vs Low New Supply

The growth in number of licensed private cars continued to outweigh the growth in private car parking spaces.

Private car licensing

+3.4%
(1Q17, YoY)

Private car parking spaces

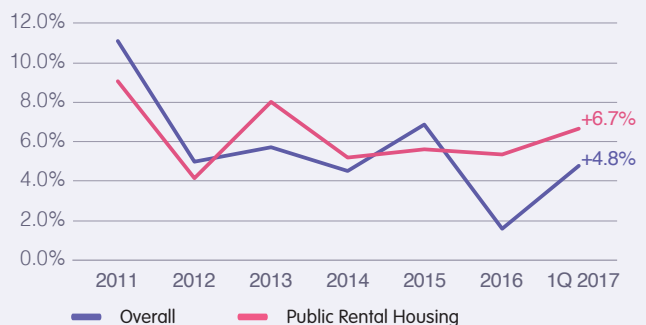
+2.2%
(1Q17, YoY)

Note: Figures as at end of the period

Source: Hong Kong Transport Department

Moderate Monthly Median Household Income Growth

Stable household income growth, together with the increase in minimum wage rate, remains the solid anchor to private consumption expenditure.



Source: Hong Kong Census and Statistics Department

Key Market Trends in Mainland China



Strong Urban Household Disposable Income Per Capita

The strong momentum in Beijing and Guangzhou are well-supported by stable economic fundamentals. Urban household income is likely to increase steadily together with growth in urbanisation which supports retail spending.

Guangzhou

+9.0% (1Q17, YoY)

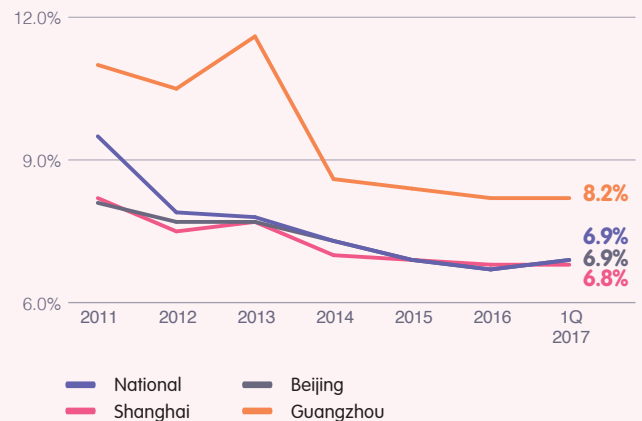
Beijing

+8.0% (1Q17, YoY)

Source: Statistics Bureau of Guangzhou Municipality
Beijing Municipal Bureau of Statistics

Sound Gross Domestic Product Growth

Mainland China continued to grow solidly in 1Q 2017. Economies in Beijing and Shanghai have grown in line with the national economy, whilst Guangzhou continued to outperform other tier-one cities.



Source: National Bureau of Statistics of China
Beijing Municipal Bureau of Statistics
Shanghai Municipal Statistics Bureau
Statistics Bureau of Guangzhou Municipality

Stable Shanghai Grade-A Office Rental

Shanghai grade-A office rental growth in the central business district has been supported by the service sector. Strong consolidation and expansion demand is likely to carry over and provide support to rental levels, despite a large influx of supply in decentralised areas in 2017.

-0.9% (1Q17, YoY)

Source: Jones Lang LaSalle

Aligning People and Expectations

We are more than just a portfolio of properties. Link is a network of people comprising around 900 employees, over 2,000 vendors, service providers and contractors that serve over 11,000 tenants. These tenants employ 70,000 local citizens from a population of over 3 million people living around our shopping centres in Hong Kong alone. Strong relationships with these stakeholders is the glue that enables us to continuously create value and build thriving communities. By aligning our expectations, we foster a culture of inclusiveness, efficiency and manage different interests. This results in providing quality and consistent service to shoppers and our tenants, which in turn delivers sustainable and growing returns to Unitholders.



Over **100**

Participants in
CONNECTION 2017



81/100

Mystery Shopper Programme
score for Link



Around
18,000

Tenant Academy
participants since 2008

CONNECTION – Link’s Annual Service Provider Conference

A Collaborative Learning Platform for our Service Providers

CONNECTION, an annual conference organised by Link, is a platform which convenes our management, staff, vendors, service providers and district networks to explore how to address local sustainability challenges.



Many of the emerging challenges our business faces require collaborative effort to develop effective solutions. We also recognise that our business partners are at different stages in their sustainable development journey. Through CONNECTION we help build their business resilience by sharing our best practices on topics such as monitoring, measuring and reporting ESG performance. Such sharing helps us develop strategic partnerships to tackle challenging issues such as waste management, climate change resilience and green procurement. While helping our business remain agile in adapting to new challenges, Link also endeavours to support the growth of our business partners and tenants.

Mystery Shopper Programme

Continuously Enhancing the Environment and Facilities for our Shopping Centres

To ensure that we meet the frequently-changing needs and demands of each community, it is vital that we provide excellent customer experience to our shoppers. The Link Mystery Shopper Programme (MSP) was set up in 2011 to enhance customer shopping experience and recognise the achievements of frontline staff. An external agency, Hong Kong Quality Assurance Agency (HKQAA), was appointed to implement the programme by arranging independent shoppers to assess our shopping centres and the quality of customer service.

Through MSP, we have positively impacted different stakeholders by providing training, increasing footfall and encouraging excellent customer services. As a result, our properties' performance consistently rank among the highest in Hong Kong.



Link Tenant Academy

Growing with tenants. Together.

84

Seminars and workshops
organised to date

~18,000

Tenants
participated since 2008

Over 70

Speakers
presented to date



During the year, we had the honour of inviting three well-known figures in Hong Kong to come and share at our Tenant Academy – Ms Mak Ling Ling (feng shui master), Ms Dodo Cheng (reputable host and award-winning Hong Kong actress) and Mr Patrick Dunn (renowned television actor and host).



When our tenants flourish, our business does well. In addition to providing a welcoming environment to do business, we support our tenants by sharing our expertise. Link Tenant Academy focuses on growing our tenants by providing the latest insights specific to their business environment. We convene our tenants quarterly to update them on new management concepts, upcoming industry trends, retail techniques, service quality improvements and energy saving techniques. The knowledge will help their businesses grow and adapt to evolving shopper preferences.

+ Tenant Excellence Awards

Building on our successful Tenant Academy platform, in 2016/2017 we launched the Tenant Excellence Awards for tenants to get professional insights on how they are doing and how well their staff are performing. The improved, holistic approach of Tenant Academy not only offers classroom seminars, but an additional value to tenants where they receive constructive feedback to improve and advertising opportunities to promote their businesses. Upon completing the Tenant Academy, tenants are eligible to enrol in the Tenant Excellence Awards where mystery shoppers visit their stores to assess their implementation of various customer service aspects. The top ten performing tenants are presented with a trophy, while the top two are featured in Link advertising opportunities.

+ Encouraging Tenant Feedback

A survey was conducted with participating tenants of the Mystery Shopper Programme and the results were encouraging. The programme has been a good opportunity for them to understand how they can provide better service to their customers from an independent third party's perspective. They also believe that the Tenant Academy successfully brought in a broad range of marketing and sales technique that they could use daily to attract more customers. With the frequently-changing demands of customer expectations, Link will continually provide up-to-date information for our tenants to ensure they will meet such demands.

Delivering and Building for the Future

Our business is focused on the long-term goal to deliver properties that are future-fit by anticipating changing expectations. Looking ahead to 2025 and beyond, we foresee the real estate sector will remain at the heart of rapid economic and social changes. Shopper and tenant preferences will continue to evolve, as issues such as green building, healthy indoor environment and open spaces become the norm. This influences how we manage, revitalise and build our properties.



28.2%

Reduction in energy consumption since 2010



11

NGOs collecting surplus food from Link's properties



24

Revitalised fresh markets

Energy Saving Programme

Green Initiative for a Sustainable Environment

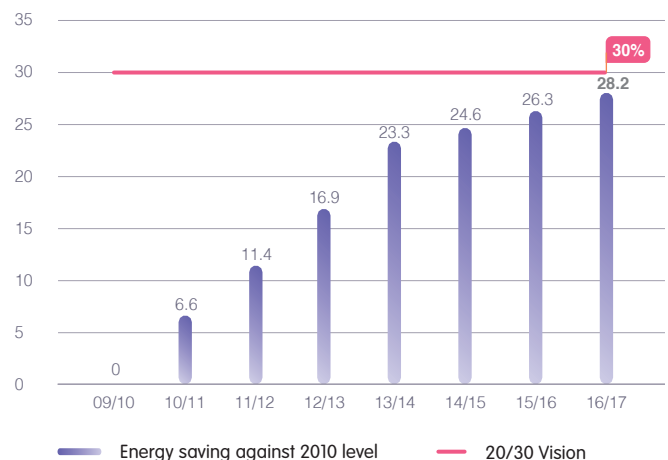
Link believes that sound environmental stewardship and resource conservation strategies must be fully integrated into our business operations. As part of our energy management strategy, we have adopted the 20/30 Vision which aims to reduce our annual energy consumption by 30% of the 2010 level before the year 2020.

In 2016/2017, we continued to rollout a number of energy saving programmes throughout our properties such as chiller replacement programme, chiller plant optimisation, installing variable speed drives in air-conditioning systems and replacing LED lights in our shopping centres and car parks.

As at 31 March 2017, our total energy reduction since 2010 is 28.2%. In anticipation of meeting our 30% target, we have begun to lay the ground work for setting our next energy target. We are exploring using Science Based Target methodologies, which is in line with global best practices. For further details, please refer to www.sciencebasedtargets.org.

Reduction in energy consumption

Cumulative Energy Saving (%)



Waste Management

Preparing for Upcoming Challenges

To better manage our resources and further tackle the food waste problem, Link has engaged in a range of surplus food donation programmes. In collaboration with NGOs, surplus food collected from Link's fresh markets and food donation boxes in shopping centres are re-distributed or cooked into hot meals for the needy in our communities.

Through waste separation and training, both Link and its tenants can have a head start in preparing for the Municipal Solid Waste Charging Scheme. By reducing cost, raising awareness of the issues that arises from surplus food, as well as building a harmonious community through donations, we can help link people to a brighter future.

- NGOs have arranged waste separation trainings in all Link's fresh markets
- 178 training sessions have been provided
- 11 NGOs are collecting surplus food from Link's 69 properties

Practise Waste Separation

With the assistance of NGOs and the Environmental Protection Department, trainings on organic waste source separation and data collection were arranged for our property management staff, cleaning contractors and tenants. New waste separation practice is now implemented in Link's fresh markets.

Engage in Government Initiatives

To reduce waste to landfill, Link has pledged to participate in the HKSAR Government's pilot "Food Waste Source Separation, Collection and Delivery to Organic Waste Treatment Facilities Phase 1" programme.

Surplus Food Donation

Surplus food collection and donations are arranged in Link's properties. Apart from collecting surplus food from our fresh market tenants, food donation boxes in our shopping centres encourage the public to donate their surplus food to the needy.

Fresh Market Revitalisation

Preserving heritage and reviving a declining industry

1 Rejuvenating shopping and business environment for customers and tenants



4 Adopting convenient electronic payment option

3 Offering welcoming services to customers by our fresh market ambassadors

2

Providing convenience to customers with barrier-free access facilities



As one of the leading fresh market owners in Hong Kong, Link has been improving fresh markets' overall environment and taking the lead in sustaining the development of this traditional marketplace. To give the industry a much-needed jolt of life, Link has been upgrading the services and facilities across its markets in response to rising customer expectations. To contribute back to our community, Link works closely with NGOs to bring food to the elderly and people in need by re-distributing or producing cooked meals with surplus food collected from fresh markets.

+ Improved Environment

Equip with air-conditioning to improve ventilation, providing tenants and shoppers with a better business and shopping environment.

+ Modern Design and Layouts

Rejuvenate with modern design and reconfigured layout to increase fresh markets' visibility and permeability. Barrier-free access facilities are also improved to bring convenience to physically-challenged customers.

+ Enhanced Tenant Mix and Technology

Introduce new tenants to the markets to provide a wider variety of culinary delights and fresh produce and cater to a wider shopper base. Stalls are equipped with an electronic payment system to provide more convenience.

+ Innovative Services

Offer shopping trolleys for both adults and children and introduce market ambassadors to offer better services to customers.

Performance Review: Strategic Priorities

Our four strategic priorities continued to guide us in delivering better returns for our stakeholders and moving us towards the vision of becoming a world class real estate investor and manager serving and improving the lives of those around us. During the year, we strengthened our operational platform through our growth drivers, practised a prudent capital management strategy and supported the growth of our staff, tenants and communities.

Building a More Productive and Higher Quality Portfolio



96%



Occupancy
in Hong Kong

100%

Occupancy
at EC Mall

100%

Occupancy
at Link Square 1 & 2



24%

Premium to valuation
for asset disposals



28.2%



Energy consumption reduction
in Hong Kong since 2010

Improving our portfolio quality allows us to sustain growth and long-term value. With a portfolio of over 150 properties (with over 11,000 tenancies) in Hong Kong, and three properties in Mainland China, we provide a strong platform for our tenants to flourish.

During the year under review, we maintained high occupancy and our tenants' sales outperformed the overall Hong Kong retail market and we continued to enhance our portfolio by our asset management know-how through our proven business growth drivers – management, enhancement, acquisition, disposal and development.

Management

Management of our properties is our key growth driver. Through the asset management knowledge we gained over the decade, we continue to enhance our tenant mix, provide more and better retail offerings to shoppers and drive operational efficiency.

Leveraging on our asset management expertise, we rolled out our asset management model in April 2016. A dedicated team of experienced asset managers was established to drive customer focus and enhance productivity and financial returns on assets. Each asset manager has direct responsibility for the overall performance of the portfolio of assets assigned to him or

her and coordinates leasing, property and customer services in a holistic approach for good customer experience and operational efficiency. This asset management expertise build-up drives asset performance and brings long-term value and growth. We will expand coverage of the model to over 40 retail properties under nine clusters and plan to extend the holistic asset management approach to the entire portfolio for better operational and financial performance.

Hong Kong Portfolio

Retail

The Hong Kong retail market was challenging during the year. However, our portfolio continued to show resilience given our focus on mass market non-discretionary trades. Occupancy rate for the portfolio stood at 96.1% as at 31 March 2017. Reversion rate for the year remained strong at 23.8%, while retail rental recorded a 4.2% increase year-on-year. Average monthly unit rent improved from HK\$50.0 psf as at 31 March 2016 to HK\$55.3 psf as at 31 March 2017.

Operational statistics of the retail portfolio

	Occupancy rate		Reversion rate		% of total area ⁽¹⁾
	As at 31 March 2017 %	As at 31 March 2016 %	Year ended 31 March 2017 %	Year ended 31 March 2016 %	As at 31 March 2017 %
Shops	97.1	97.1	23.4	29.0	83.2
Markets/Cooked food stalls	90.3	89.1	27.0	10.4	9.3
Education/Welfare and Ancillary	91.4	92.4	20.5	14.3	7.5
Total	96.1	96.0	23.8	25.9	100.0

Note:

(1) Total excluding self use office.

Starting last year, we categorised our properties into three segments to better define the property management strategy and allocation of resources – Destination,

Community and Neighbourhood – all of which demonstrated steady growth in the past year.

Retail portfolio breakdown

	No. of properties	Retail properties valuation	Retail rentals	Average monthly unit rent ⁽¹⁾		Occupancy rate	
		As at 31 March 2017 HK\$'M	Year ended 31 March 2017 HK\$'M	As at 31 March 2017 HK\$ psf	As at 31 March 2016 HK\$ psf	As at 31 March 2017 %	As at 31 March 2016 %
Properties							
Destination	6	22,320	1,073	74.0	70.8	96.7	97.3
Community	38	62,504	3,307	65.0	60.8	96.9	97.0
Neighbourhood	81	33,797	1,832	39.0	36.3	95.1	95.1
700 Nathan Road ⁽²⁾	1	6,118	17	–	N.A.	–	N.A.
14 Properties Disposed ⁽³⁾	–	N.A.	123	N.A.	26.9	N.A.	93.4
Total	126	124,739	6,352	55.3	50.0	96.1	96.0

Notes:

(1) Average monthly unit rent represents the average base rent plus management fee per month per square foot of leased area.

(2) The acquisition of 700 Nathan Road was completed on 15 April 2016. Income above was derived from street shops from acquisition of the property to their leases expiry in November 2016. As at 31 March 2017, the tower and podium were vacant due to renovation.

(3) Represents revenue up to completion of disposals of the 14 properties in May 2016 and February 2017.

Portfolio lease expiry profile

(As at 31 March 2017)

	% of total area %	% of monthly rent %
2017/2018	28.4	30.7
2018/2019	28.0	26.8
2019/2020 and Beyond	32.7	36.1
Short-term Lease and Vacancy	10.9	6.4
Total	100.0	100.0

Car Parks

Representing 18.9% of our business in Hong Kong by value, our car parks had consistently contributed income growth and recorded a year-on-year increase of 5.1%. Our Park & Dine mobile app and enhanced shopping environment helped drive visitations to our shopping centres, especially the hourly parking. The continuously

increasing number of new private cars on the road also gave rise to a growing demand for car park spaces at our car parks – which led to growth in car park income.

Car park income per space per month increased by 10.7% year-on-year to HK\$2,239 for the year ended 31 March 2017.

Key car park performance indicators

	Year ended 31 March 2017	Year ended 31 March 2016
Car park income per space per month (HK\$)	2,239	2,022
	As at 31 March 2017	As at 31 March 2016
Total valuation (HK\$'M)	30,813	28,888
Average valuation per space (HK\$'000)	446	384

Mainland China Portfolio

Our two properties in Mainland China – EC Mall in Beijing and Link Square 1 & 2 in Shanghai (previously known as Corporate Avenue 1 & 2) – continued to deliver strong results. As Link Square 1 & 2 made a full-year contribution, the two properties contributed revenue of HK\$574 million and net property income of HK\$459 million during the year,

representing a 36.3% and a 47.6% year-on-year increase respectively.

Being fully occupied, both properties created value and enhanced our overall portfolio quality. Retail reversion rate was 37.1% for EC Mall and office reversion rate was 10.8% for Link Square 1 & 2 during the year.

EC Mall retail lease expiry profile

(As at 31 March 2017)

	% of total area %	% of monthly rent %
2017/2018	24.4	32.9
2018/2019	11.0	15.1
2019/2020 and Beyond	64.6	52.0
Total	100.0	100.0

Link Square 1 & 2 office lease expiry profile

(As at 31 March 2017)

	% of total area %	% of monthly rent %
2017/2018	24.8	23.9
2018/2019	10.4	11.0
2019/2020 and Beyond	64.8	65.1
Total	100.0	100.0

Enhancement

Asset enhancement has been a key element in driving our growth over the years. We meticulously plan and execute our asset enhancement projects through which we reposition and revitalise our portfolio assets to unlock value. The enhanced properties create an attractive retail environment for our tenants and shoppers, address the changing needs of consumers, and deliver good financial returns to our Unitholders.

During the year, we completed nine asset enhancement projects, covering Tin Chak Shopping Centre, Lei Tung Commercial Centre, Butterfly Plaza, Sau Mau Ping

Shopping Centre, TKO Gateway (previously known as Hau Tak Shopping Centre), Tai Hing Commercial Centre, Tin Yiu Plaza, Fu Tung Plaza and Wah Ming Shopping Centre. Different upgrades were made to these properties, ranging from simple refurbishment to major enhancement works. These nine asset enhancement projects exceeded our target of 15% return on investment.

The enhancement of Butterfly Plaza in Tuen Mun involved a major overhaul of the interior and façade of the fresh market. The revitalised fresh market has since become the new anchor for the shopping centre and has been driving footfall and car park tickets.

Return on investment of asset enhancement projects completed in the year ended 31 March 2017

	Total area as at 31 March 2017 '000 sq ft	Total project capex HK\$'M	Estimated return on investment ⁽¹⁾ %
Tin Chak Shopping Centre	124	20	23.1
Sau Mau Ping Shopping Centre	155	59	28.9
Lei Tung Commercial Centre	84	62	20.3
Butterfly Plaza ⁽²⁾	175	286	15.1
TKO Gateway	169	127	15.4
Tai Hing Commercial Centre	102	58	15.3
Tin Yiu Plaza	88	129	15.2
Fu Tung Plaza	106	21	29.2
Wah Ming Shopping Centre	71	66	17.2
Total		828	

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) Project included a fresh market upgrade.

Hau Tak Shopping Centre, upon completion of asset enhancement works, was rebranded as TKO Gateway and has become Link's Destination Shopping Centre in the Tseung Kwan O area. With a new shopping centre layout, new designs and upgraded retail offerings, the newly branded shopping centre has attracted shoppers from catchments beyond the Tseung Kwan O area. With the benefits of a convenient public transport network, the repositioned TKO Gateway has become the district's gateway and a popular shopping and dining hub.

The works at Tin Yiu Plaza involved the conversion of a traditional market into air-conditioned retail space with a vibrant shopping environment. The introduction of quality retail shops and food and beverage outlets to the outdoor bazaar provides a new gathering point for the local community. The enhancement improved synergies with the nearby Tin Shing Shopping Centre where the fresh market was expanded and fully refurbished through asset enhancement in 2016.

In parallel with demographic changes, housing developments and expansion of the transportation network linking various districts, we carried out and completed asset enhancement works at Lei Tung Commercial Centre, Sau Mau Ping Shopping Centre, Tai Hing Commercial Centre, Fu Tung Plaza and Wah Ming Shopping Centre. These enhanced shopping centres provide a better operating platform for our tenants and offer a wider range of retail offerings for our shoppers.

Continuing our proven asset enhancement strategy, we have 15 enhancement projects underway with another 6 projects to commence and over 18 other projects currently undergoing review, taking our asset enhancement pipeline well into 2023.

On top of the asset enhancement projects we have, seven of the 33 fresh markets (hitherto being operated by external market operators) had also been upgraded during the year. These innovatively upgraded fresh markets have created a pleasant shopping environment for our customers.

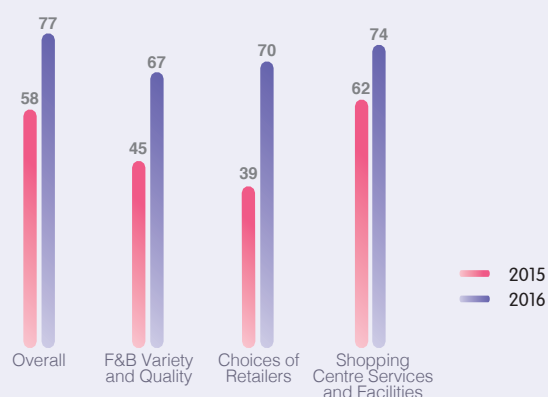
Asset enhancement pipeline

	Number of projects	Estimated costs HK\$'M
Underway	15	1,189
Pending statutory approval	6	654
Others under planning	> 18	> 1,300
Total	> 39	> 3,143

TKO Gateway

In late 2016, Link engaged an independent consultant to conduct a survey on our consumers' perception towards TKO Gateway after renovations.

Improved satisfaction by our shoppers



Draws more shoppers from secondary catchment (%)



Approved asset enhancement projects underway

	Estimated cost HK\$'M	Target completion date
Lung Hang Commercial Centre	81	Mid 2017
T Town (North) (previously known as Chung Fu Plaza)	280	Mid 2017
Cheung Wah Shopping Centre	102	Mid 2017
Kwong Fuk Commercial Centre ⁽¹⁾	35	Mid 2017
Fu Tung Market ⁽¹⁾	27	Mid 2017
Tin Tsz Shopping Centre	42	Mid 2017
Temple Mall South	153	Mid 2017
Siu Sai Wan Plaza	45	Late 2017
Lok Wah Commercial Centre	49	Late 2017
Tsz Wan Shan Shopping Centre	67	Late 2017
Tsui Ping North Shopping Circuit ⁽¹⁾	40	Late 2017
TKO Gateway Market ⁽¹⁾	91	Late 2017
Tin Chak Shopping Centre (1/F) ⁽¹⁾	44	Early 2018
Sam Shing Commercial Centre	40	Mid 2018
Fu Shin Shopping Centre ⁽¹⁾	93	Mid 2018
Total	1,189	

Note:

(1) Project includes a fresh market upgrade.

Acquisition

It is our strategy to improve our portfolio quality for sustainable DPU growth through adding assets with revenue growth potential.

During the year, we acquired 700 Nathan Road in Mong Kok, Hong Kong for HK\$5,910 million. The acquisition was completed on 15 April 2016. The property is located at the heart of Mong Kok with direct MTR access. Renovation has been underway and is in good progress, targeting for operations to start around the end of 2017. Upon renovation, the newly-designed podium will provide a young and vibrant shopping environment making it a new retail landmark in Mong Kok, while the tower will be ideal for services and semi-retail trades. It is under active pre-leasing and will be branded as a Link Destination Shopping Centre.

Subsequent to our financial year end, in April 2017, we announced the acquisition of Metropolitan Plaza in Guangzhou for RMB4,065 million. The acquisition was completed on 11 May 2017. Metropolitan Plaza is one of the few recently-built, high-quality shopping centres in the Pearl River Delta area and is strategically located in Liwan, a densely-populated and high performing retail district in Guangzhou. Since completion of the transaction, the property has contributed immediately to our earnings. This acquisition has marked another significant strategic addition to our portfolio in Mainland China.



Going forward, we will continue with strict management discipline to review opportunities across different markets and focus our investment on mass market retail properties and premium grade-A offices located in core CBDs with long-term growth potential in Hong Kong and tier-one cities in Mainland China.

Disposal

We continued to recycle our capital and enhance our portfolio quality through the disposal of non-core assets which lack synergy and have limited growth potential.

In May 2016, we completed the disposal of nine properties for a total consideration of HK\$3,652 million, representing premium of 19% over the aggregate appraised value as at 31 March 2016. We disposed of another five properties in February 2017 for a total consideration of HK\$3,636 million, representing a premium of 29% over the aggregate appraised value as at 30 September 2016.

We used proceeds from the disposals to repay debts, buy back units from the market to neutralise the loss in distribution, and fund new investments in quality assets as part of our capital recycling strategy for growth and good Unitholders' return.

Development

Construction works at The Quayside – our joint venture project with Nan Fung Development Limited at 77 Hoi Bun Road in Kowloon East – has been progressing well. We have successfully confirmed J.P. Morgan as an anchor tenant and J.P. Morgan has confirmed to pre-lease at least a quarter of the office space. This top of the class grade-A commercial development has received LEED platinum, BEAM Plus platinum and WELL gold pre-certifications. We target to complete the building works ahead of schedule, which will be in early 2019.

With stringent cost control, we also achieved savings in the construction costs. The project's estimated total development costs (including land premium) have so far decreased from HK\$10.5 billion to HK\$9.9 billion, which was a 5.7% saving as compared to the original budget. The cost savings will also bring a better investment return.

Environmental Excellence

We achieved a year-on-year reduction of 2.7% in annual energy consumption, corresponding to a 28.2% cumulative reduction since 2010. This moves us closer to our 2020 target of a 30% reduction against our 2010 baseline. Our carbon footprint, primarily comprising of electricity consumption, has been reduced by 34.3% since 2010. Despite increased use of air conditioning, we achieved the energy reduction primarily through installing energy efficient lighting and fine tuning of our building management system.

During the year, by partnering with non-governmental organisations and over 4,000 tenants, we collected 46.5 tonnes of surplus food which were redistributed or used to produce nearly 85,000 meals for elderly and low-income families.



Maintaining a Prudent and Flexible Capital Structure



15.6%

Gearing ratio

61.4%

Fixed rate debt/
total debt

2.65%

Effective interest rate



4.7



years committed debt maturity



A/stable
A2/stable
credit ratings



Issued the first green bond by an Asian property company



Link continues to adopt a prudent capital management strategy that sustains long-term growth of our business. Over the years, we have developed a balanced capital structure that enables us to weather market fluctuations and be agile in capturing business growth opportunities.

Our capital management strategy is built on four pillars:

Optimise our long-term capital structure

Maintain strong credit ratings to secure low funding costs

Extend our debt maturity profile to mitigate refinancing risks

Manage exposure to interest rate and foreign exchange volatility

Performance

2016 was an eventful and volatile year for financial markets. Major events such as Britain's referendum to leave the European Union, the US presidential election and the US Federal Reserve rate hikes impacted the financial markets. Long-term interest rates and credit spreads were particularly sensitive to such market shocks which created both opportunities and challenges for the capital management of our business.

Subsequent to Britain's referendum to leave the European Union in June 2016, we capitalised on the opportunity to issue our first green bond in July 2016 while US treasury yields and

credit spreads were compressed. The bond raised US\$500 million at 2.875% for 10 years, 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 launched in compliance with 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 for green initiatives, enabling us to connect our globally recognised sustainability effort with capital market investors. As at 31 March 2017, we have fully utilised the net proceeds from the green bond on green projects.

Allocation of Green Bond Proceeds

	Site	Allocation of proceeds HK\$ billion	Project Update
Allocation			
Building development	The Quayside	3.6	Received LEED platinum, BEAM Plus platinum and WELL gold pre-certifications
Renovation to existing building	700 Nathan Road	0.1	Targeting BEAM Plus Interiors silver or above
Energy efficiency	Portfolio-wide	0.1	Energy management projects including chiller replacement and lighting improvement
Total		3.8	

In the Hong Kong banking market, the decline in domestic loan demand and ample market liquidity continued to suppress loan margins. In April 2016, we arranged a HK\$600 million unsecured banking facility with a 7-year tenor at an all-in cost of 1.15% over HIBOR to lengthen our debt maturity profile.

As part of Link's capital recycling strategy, we used part of the proceeds from property disposals to buy back approximately 31.7 million units at an average price of HK\$53.46 per unit, which is equivalent to a 14.4% discount to net asset value per unit as at 31 March 2017 of HK\$62.47.

Link ended the financial year with not much change in total debt at HK\$28.0 billion (31 March 2016: HK\$27.1 billion). Our gearing ratio decreased to 15.6% (31 March 2016: 16.5%) due to a higher property valuation. The average life of our committed debt facilities remained long at 4.7 years (31 March 2016: 5.0 years) with only HK\$0.3 billion debt maturing in the next 12 months. As at 31 March 2017, the available liquidity was HK\$10.7 billion (31 March 2016: HK\$8.1 billion), comprising HK\$685 million cash and deposits (31 March 2016: HK\$0.5 billion), and HK\$10.1 billion committed but undrawn facilities (31 March 2016: HK\$7.6 billion).

On interest rate management, we maintained the percentage of fixed rate debt to gross debt steady at 61.4% (31 March 2016: 63.4%) and the average life of fixed rate debt, representing the average period of interest rate

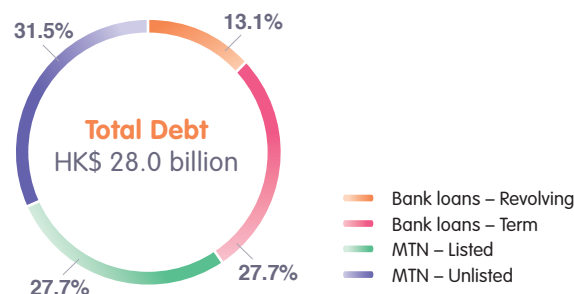
protection provided by fixed rate debt, steady at 6.3 years (31 March 2016: 6.9 years). Despite two 0.25% interest rate hikes by the US Federal Reserve during the year, the effective interest cost of our debt portfolio remained low at 2.65% as at 31 March 2017 (31 March 2016: 2.57%).

On foreign exchange management, we focused on managing the currency exposure of our RMB denominated income. Where appropriate, we converted RMB income to Hong Kong Dollars to minimise currency exposure. As at 31 March 2017, our cash holding in RMB was minimal and the RMB asset exposure was limited at around 6% of total assets.

Our corporate credit ratings were affirmed by Standard & Poor's and Moody's at "A/Stable" and "A2/Stable" respectively on 25 July 2016 and 25 January 2017 respectively.

Funding base

(As at 31 March 2017)



Committed debt facilities ⁽¹⁾

(As at 31 March 2017)

(HK\$ billion)	Fixed rate debt ⁽²⁾	Floating rate debt ⁽²⁾	Utilised facilities	Undrawn facilities	Total committed facilities
Unsecured loan	7.0	4.4	11.4	10.1	21.5
MTN	10.2	6.4	16.6	–	16.6
Total	17.2	10.8	28.0	10.1	38.1
Percentage	61%	39%	74%	26%	100%

Notes:

(1) All amounts are at face value.

(2) After interest rate swaps.

Facility maturity profile ⁽¹⁾

(As at 31 March 2017)

(HK\$ billion)	Unsecured bank loans	MTN	Undrawn facilities	Total
Due in 2017/2018	–	0.3	1.5	1.8
Due in 2018/2019	1.5	1.1	1.9	4.5
Due in 2019/2020	3.5	1.3	2.0	6.8
Due in 2020/2021	2.5	0.4	2.5	5.4
Due in 2021/2022 and Beyond	3.9	13.5	2.2	19.6
Total	11.4	16.6	10.1	38.1

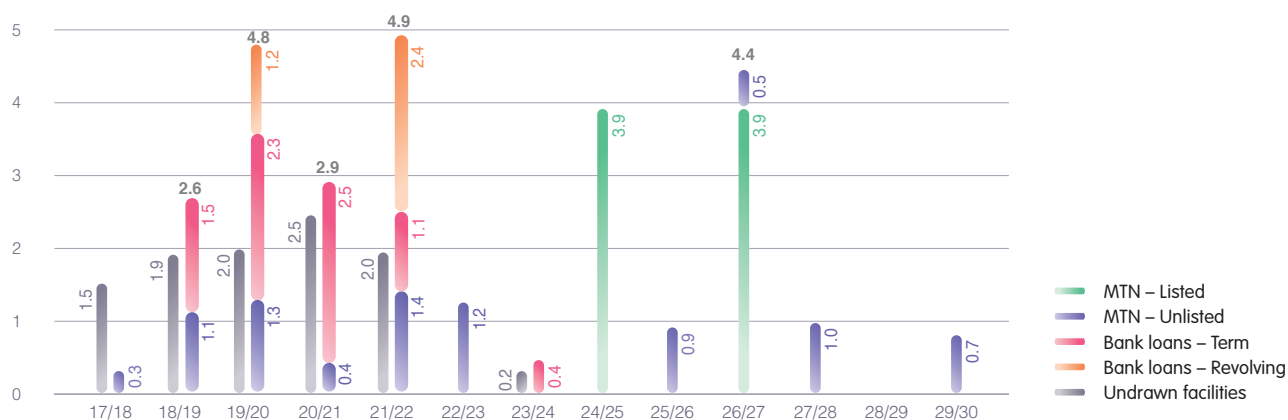
Note:

(1) All amounts are at face value.

Facility maturity profile ⁽¹⁾

(As at 31 March 2017)

HK\$ billion



Note:

(1) All amounts are at face value.

Developing a Strong Management Team



~0%



Attrition rate
for high
performing
staff



280

Training and
development
sessions



69%

male

Board diversity

31%

female

Building an agile and innovative team who subscribes to our corporate culture – respect, excellence, integrity and teamwork – strengthens our business competence and enables us to manage risks with foresight and professionalism.

To maintain our productivity and ensure that our overall salary, bonus and other benefits remain competitive, we regularly review our workforce composition, compensation package and the learning and development programmes for staff.

Competency

In 2016/2017, we established the Link Competency Framework which is the foundation of our talent management strategy. Using our Vision, Mission and Values, we have identified the key elements necessary to sustain our growth and success, resulting in a competency framework we expect from our staff, including:

- Analysis and execution
- Alignment with stakeholder interest
- Business orientation
- Building team and collaboration
- Communication and impact
- Change management
- Drive and commitment
- Developing and managing self and talent

These competencies are Link's embedded culture and permeate through our entire talent management strategy from talent sourcing to staff continuous learning and development, performance management and senior management succession planning.

Development and Learning

Talent management is important for capacity building, and Link has provided various trainings to upgrade our workforce and ensure that our staff are well-equipped for new business challenges. In 2016/2017, we organised a total of 280 training and development sessions for our staff, as well as 7,249 hours of training to our contractors and service providers.

Link believes in providing career paths for promising candidates. We promote from within as much as possible to enhance career development opportunities and retain our top performers. With our expanded growth drivers and asset management model, we offer diverse opportunities that better align with personal career aspirations. Link provides a wide variety of training and personal development programmes on management, technical and personal skills to prepare our managers to undertake the role and responsibilities for a chosen job.

To groom our future leaders, we stepped up training efforts to emphasise on change management, team leadership and communication. We provide leadership training and strategy-oriented programmes to build a high performance culture across our entire organisation.

Staff Engagement

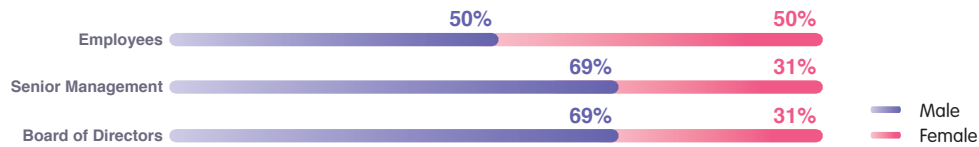
As we expand our business in and beyond Hong Kong, it is important to achieve consistency in management across the organisation and that our teams remain connected, aligned and focused on providing quality service and excellent performance to our stakeholders. To enhance staff engagement, we conduct focus group meetings to gather views from staff on company initiatives as part of an on-going process to refine our talent management strategy. Such efforts ensure that we build and retain an agile working team that will share knowledge and expertise in managing our portfolio in different markets, explore new opportunities, and work efficiently in an interactive ecosystem.

We encourage better work-life balance and have set up a staff volunteer committee with guidelines and encouragement for staff to volunteer at community events and activities under the Link Together Initiatives. During the year, our staff volunteered in events such as elderly home visits, set up mobile playgrounds, and sharing of musical instruments for children.

Health, Well-Being and Safety

We are committed to maintaining high standards of health and safety for our staff. We target zero lost work days across all our business operations. We ensure our operations comply with not only health and safety regulations but also industry best practices. Routine training on health and work safety management is provided to our staff and contractors. We are cognizant of the large number of visitors and shoppers coming to our shopping centres and car parks and the need to ensure their safety and well-being while they visit our premises. We have developed emergency response operations and contingency planning, which are tested regularly at our shopping centres to ensure incidents are responded to in a timely and effective manner. During the year, we conducted emergency drills at our properties involving not only tenants and our staff but also personnel from relevant government departments.

Gender balance⁽¹⁾



Note:

(1) Figures are as at the date of this report.

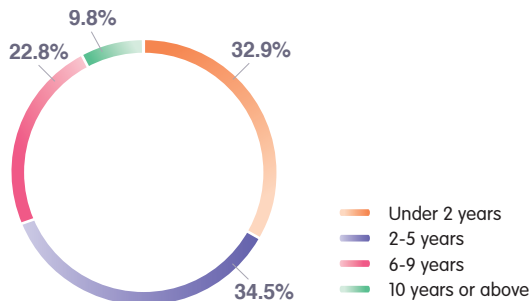
Diversity and Inclusion

We believe diversity brings new viewpoints into how we run our business. We are the first REIT in Asia to endorse the Women's Empowerment Principles, which is a collaboration between UN Women and the UN Global Compact, and we are committed to implementing the principles at all levels of our business. Currently, half of our workforce is female. Four of our 13-member senior management team and four of our

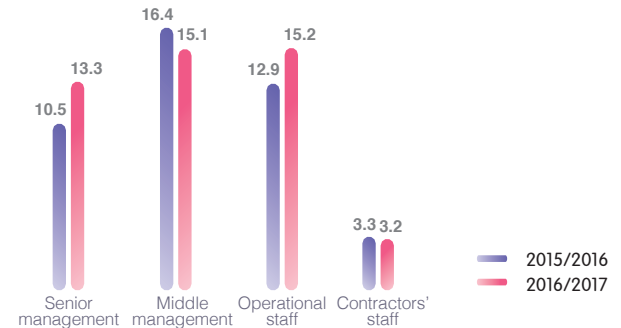
13 Board members are female. Our employees are spread relatively evenly across age groups.

Our staff attrition rate for the year was approximately 19.4% which was in line with the previous year. We had near-zero attrition rate for those staff with a high performance rating, reflecting the success of our talent management strategy. As at 31 March 2017, we had 902 employees.

Employees' years of service



Average hours of training



Helping Our Tenants and Communities Grow While Delighting Shoppers



~18,000



Tenant Academy
Participants since
2008



+4.0%

Tenant Sales
Growth in
Hong Kong



81/100

Mystery Shopper
Programme score



HK\$10.2 million

Donated to 2016/2017
Link Together Initiatives

56

Projects Supported by
Link Together Initiatives
in 2016/2017

We support the development of our tenants and create lifestyle experiences for our shoppers, thereby benefiting the communities.

When communities do well, we do well.

This is our approach to sustainable growth.

Tenant Mix

We have over 11,000 carefully selected tenancies that offer a vibrant retail mix to meet the needs of surrounding communities and attract shoppers from nearby districts. Our approach is to develop strong relationships with existing and new tenants. We conduct district-level analyses and tenant surveys to identify opportunities for improvement.

During the year under review, we continued to refine trade mix and improve the business environment for our tenants to operate. The average monthly retail sales per square foot of our Hong Kong portfolio grew steadily at 4.0% as compared to the last financial year, outperforming the general Hong Kong retail market. The dominant daily necessity trades such as “Food and Beverage” and “Supermarket and Foodstuff” remained strong and posted a year-on-year growth in retail sales per square foot of 6.9% and 3.4% respectively, while “General Retail” recorded a 3.3% increase.

In order to plan and manage our business more effectively, we keep track of our tenants' rent-to-sales ratio to gauge

their affordability of rents. Rent-to-sales ratio of the overall Hong Kong portfolio was 12.1% for the year. On specific trade categories, our tenants' rent-to-sales ratio for “Food and Beverage”, “Supermarket and Foodstuff” and “General Retail” were 12.2%, 10.2% and 14.4%, respectively for the year under review.

Tenant Academy

To further support and enhance the growth of our tenants' businesses, we continued with the Link Tenant Academy as a platform for:

- Two-way engagement with tenants to voice their opinions;
- Sharing retail industry best practices to improve tenants' operational efficiency; and
- Raising awareness of the latest local retail trends.

During the financial year, we offered quarterly sessions to approximately 830 participants in aggregate. We introduced the Tenant Excellence Awards, which used a “mystery shopper” approach to encourage our tenants to continually improve their services and offerings.

Hong Kong portfolio retail trade mix

(As at 31 March 2017)

Trade	By monthly rent %	By leased area %
Food and Beverage	27.7	30.3
Supermarket and Foodstuff	20.8	17.9
Markets/Cooked Food Stalls	14.9	8.8
Services	10.5	9.3
Personal Care/Medicine	6.0	3.9
Education/Welfare and Ancillary	1.1	7.2
Valuable goods (Jewellery, watches and clocks)	0.8	0.4
Others ⁽¹⁾	18.2	22.2
Total	100.0	100.0

Note:

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

Link understands that working closely with tenants drives footfall to our properties. This strategy offers customers the brands and products they seek, benefits our smaller, independent tenants, and attracts new retailers to our shopping centres. New tenants enrich our trade varieties and increase brand offerings, which strengthens the attractiveness of our shopping centres. We regularly engage prospective tenants to understand their businesses and exchange ideas with them on how their operations add value to our existing trade mix.

Link Together Initiatives Updates

Link Together Initiatives is our flagship charity and community engagement programme through which we support selected non-profit projects that improve livelihoods of local communities. Every year, Link earmarks up to 0.25% of net property income of the previous financial year to fund the projects. Since 2013/2014, we have donated a total of HK\$38.1 million through the Link Together Initiatives to promote the well-being of the youth, elderly and people in need.

During the financial year, HK\$10.2 million was allocated to various projects under the established Major Project Fund, District Project Fund, Link First Generation University Student Scholarship and Link Barrier-Free Adventure Day and Public Education.

The Major Project Fund, in its fourth year of operation, contributed HK\$4.4 million to five community projects which were selected from a pool of applicants. The District Project Fund (totalling HK\$2.4 million during the year) reached out to a wider spectrum of small projects (49 in total) that catered to specific area needs and enabled Link to foster closer connections with local neighbourhoods. These 49 District Project Fund projects were selected by a panel of 22 community leaders including District Council Chairpersons and Vice-chairpersons, District Council members, representatives from The Hong Kong Council of Social Service and Link in a transparent process.

Link also donated HK\$2.6 million to Link First Generation University Student Scholarship, benefiting a total of 130 students with scholarship grants. Link First Generation University Student Scholarship is a unique concept that supports first-year undergraduates who are the first from among three generations of their families to study at one of Hong Kong's universities. Nomination comes directly from secondary schools and the programme is independently supervised by HKCSS WiseGiving Limited of The Hong Kong Council of Social Service. Awardees are selected on a non-means-tested basis. Each awardee received a HK\$20,000 grant and would also be admitted as a Link Scholarship Alumni and received priority consideration for Link's internship programme.

In March 2017, Link completed its Barrier Free Accessibility programme, having invested a total of HK\$211 million since 2012 to ensure our properties are barrier-free accessible with the necessary physical enhancements. For further details of our extensive community engagement, please visit our corporate website.



Marketing Events

As an extension of the living space of local residents, our properties are an integral part of community life. Link collaborates with welfare organisations, trade associations and social groups to stage fun events and lively performances at our shopping centres. Events cover issues regarding health, nutrition, family harmony and bring awareness to green living. During the year, 61 such events were held across our network of malls in Hong Kong. The popularity of our marketing events has created a platform that goes beyond simply drawing footfall to our properties, but brings wider attention to the communities around us.

Link held a year-long programme to promote healthy dining habits by organising "Eat and Play Pairing" workshops across our fresh markets. Local chefs from the Chinese Culinary Institute were invited to design seasonal dishes using ingredients sourced entirely from our fresh markets. Link's fresh market ambassadors gave live cooking demonstrations and recipes were distributed free of charge to our shoppers. Complementing the "Eat" aspect, a series of interactive "Play" workshops were held simultaneously which included beauty and fitness exercise workshops designed by Chinese medicine practitioners, cartoon lunch box-making workshops for kids and design workshops that enabled participants to make handicrafts using surplus food.

"#Linkemoji Share Love, Share Fun" was the first campaign in Hong Kong to build on the global phenomenon of communicating using icons or emojis to support a charitable cause. The campaign encouraged the public to design their own personalised emojis through our Park & Dine mobile app and share these with the community. For every message shared Link contributed HK\$1 to the Hong Kong Guide Dog Association, an organisation that promotes barrier-free access for the visually impaired. In just over a month, over 331,000 emojis were shared.

Innovation

We recognise Link is a strong platform that can be used to pilot, support and scale initiatives that help those around us flourish. As such we have explored how to utilise our network to connect people and amplify efforts.

In 2016/2017 we worked with local Hong Kong startup – Blue Sky Energy Technology – to pilot a real-time energy management system that provides tenants with operational insights to better manage their business operations. By connecting the startup with tenants in our portfolio, we could pilot a solution that generated up to 6% savings in energy consumption for participating tenants. This gave the startup an opportunity to test its product and helped our tenants improve their operations.

Performance Review: Financial Review

In 2016/2017, Link continued to execute a balanced growth strategy and delivered another year of robust financial results despite a challenging economic environment and weaker consumer sentiment.

Overall Financial Results

During the year, revenue and net property income increased by 5.9% and 7.4% year-on-year to HK\$9,255 million (2016: HK\$8,740 million) and HK\$6,994 million (2016: HK\$6,513 million), respectively. DPU for the year increased by 10.8% to HK228.41 cents (2016: HK206.18 cents), comprising an interim DPU of HK111.75 cents (2016: HK98.99 cents) and a final DPU of HK116.66 cents (2016: HK107.19 cents). The total DPU represents a distribution yield of 4.2% based on the closing market price of the units of HK\$54.45 on 31 March 2017. As a result, Link delivered a total return (including unit price appreciation and distribution yield) of 23.3% for the year.

Valuation of the investment properties portfolio (including property under development and renovation and properties in Mainland China) continued to improve and reached HK\$174,006 million, representing an increase of 8.3% compared to 31 March 2016. Net asset value per unit grew 10.0% year-on-year to HK\$62.47 (31 March 2016: HK\$56.79).

Hong Kong Portfolio

Revenue Analysis

Link sustained its solid pace of growth in retail and car park rentals during the year. Total revenue rose 4.4% to HK\$8,681 million (2016: HK\$8,319 million), comprising rental income from retail properties of HK\$6,352 million (2016: HK\$6,095 million), car parks of HK\$1,940 million (2016: HK\$1,846 million) and other property related revenue of HK\$389 million (2016: HK\$378 million).

The continuous growth in retail rentals reflected the resilience of our portfolio which focused on non-discretionary trades. To meet the evolving customer demand, we made solid progress in enhancing the tenant mix across the portfolio, thereby resulting in satisfactory reversion and high occupancy. Car park rentals have also improved in view of the insufficient supply of car parks amid increased demand as well as visitations to our shopping centres.

Expense Analysis

We managed our portfolio with disciplined cost control to ensure operational efficiency. During the year, total property operating expenses increased moderately by 1.4% and net property income margin remained largely steady at 75.3% (2016: 74.6%).

Property managers' fees and security and cleaning expenses slightly decreased by 4.0% year-on-year. Increase in staff costs was mainly due to a higher accrual for awards granted under our long-term incentive plan adopted on 23 July 2007 as a result of a higher closing unit price as at 31 March 2017 against that as of 31 March 2016. Utility expenses decreased by 2.3% due to a reduction in energy tariffs and the efficiency of our building management system. Government rent and rates increased generally in line with revenue growth.

Revenue breakdown

	Year ended 31 March 2017 HK\$'M	Year ended 31 March 2016 HK\$'M	Year-on-year change %
Retail rentals:			
Shops ⁽¹⁾	5,140	4,974	3.3
Markets/Cooked Food Stalls	893	805	10.9
Education/Welfare and Ancillary	147	147	–
Mall Merchandising	172	169	1.8
Car parks rentals:			
Monthly	1,456	1,381	5.4
Hourly	484	465	4.1
Expenses recovery and other miscellaneous revenue:			
Property related revenue ⁽²⁾	389	378	2.9
Total revenue	8,681	8,319	4.4

Notes:

(1) Rental from shops included base rent of HK\$5,015 million (2016: HK\$4,840 million) and turnover rent of HK\$125 million (2016: HK\$134 million), respectively.

(2) Property related revenue included other revenue from retail properties of HK\$385 million (2016: HK\$374 million) and car parks of HK\$4 million (2016: HK\$4 million).

Property operating expenses breakdown

	Year ended 31 March 2017 HK\$'M	Year ended 31 March 2016 HK\$'M	Year-on-year change %
Property managers' fees, security and cleaning	557	580	(4.0)
Staff costs	417	365	14.2
Repair and maintenance	219	213	2.8
Utilities	291	298	(2.3)
Government rent and rates	282	271	4.1
Promotion and marketing expenses	121	117	3.4
Estate common area costs	106	118	(10.2)
Other property operating expenses	153	155	(1.3)
Total property operating expenses	2,146	2,117	1.4

Mainland China Portfolio

The financial performance of EC Mall in Beijing and Link Square 1 & 2 in Shanghai reflected our dynamic but prudent Mainland China acquisition strategy. Full-year contributions from both properties were included this year, resulting in a 36.3% year-on-year increase in total revenue from Mainland China to HK\$574 million (2016: HK\$421 million), and a 47.6% year-on-year increase in net property income to HK\$459 million (2016: HK\$311 million). In particular, EC Mall achieved strong occupancy and reversion and Link Square 1 & 2 maintained high occupancy and stable reversion during the year, with both properties generating value for Unitholders.

We continued our highly-disciplined investment strategy and subsequent to the end of the financial year in April 2017, we announced the acquisition of Metropolitan Plaza in Guangzhou. The acquisition was completed on 11 May 2017. Metropolitan Plaza is expected to contribute profit immediately and will become an important source of inorganic growth in the coming years.

Valuation Review

Our portfolio valuation increased notwithstanding that we disposed of 14 assets during the year. Total value of investment properties (including property under development and renovation and properties in Mainland China) grew 8.3% from HK\$160,672 million as at 31 March 2016 to HK\$174,006 million as at 31 March 2017. After the

completion of the acquisition of 700 Nathan Road, the value of the Hong Kong retail properties increased 8.9% to HK\$124,739 million (31 March 2016: HK\$114,492 million) while the value of car parks increased 6.7% to HK\$30,813 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 an increase in net property income as the quality of our portfolio continuously improved.

Value of the Hong Kong property under development in Kowloon East – The Quayside – also increased to HK\$7,349 million (31 March 2016: HK\$6,300 million). Properties in Mainland China were valued at HK\$11,105 million (31 March 2016: HK\$10,992 million).

Pursuant to the requirements of the Code on Real Estate Investment Trusts (REIT Code), CBRE Limited retired after serving a consecutive term of three years and Jones Lang LaSalle Limited (JLL) was appointed as the principal valuer of Link and valued Link's property portfolio as at 31 March 2017. JLL valued our completed properties in Hong Kong and Mainland China as at 31 March 2017 using income capitalisation and discounted cash flow (DCF) as the primary approaches and cross-referenced to direct comparison approaches. For the property under development, the residual method was used. For the property under renovation, the income capitalisation approach was used and cross-checked with the direct comparison approach.

Valuation approach

	As at 31 March 2017	As at 31 March 2016
Income Capitalisation Approach – Capitalisation Rate		
Hong Kong		
Retail properties: weighted average	4.53%	4.54%
Car parks: weighted average	4.74%	4.78%
Overall weighted average	4.57%	4.59%
Mainland China		
Retail properties	4.50%	4.50% – 5.00%
Office properties	4.25%	4.00%
DCF Approach – Discount Rate		
Hong Kong		
	7.50%	7.50%
Mainland China		
Retail properties	7.25% – 7.50%	8.00% – 9.00%
Office properties	7.25%	7.50%

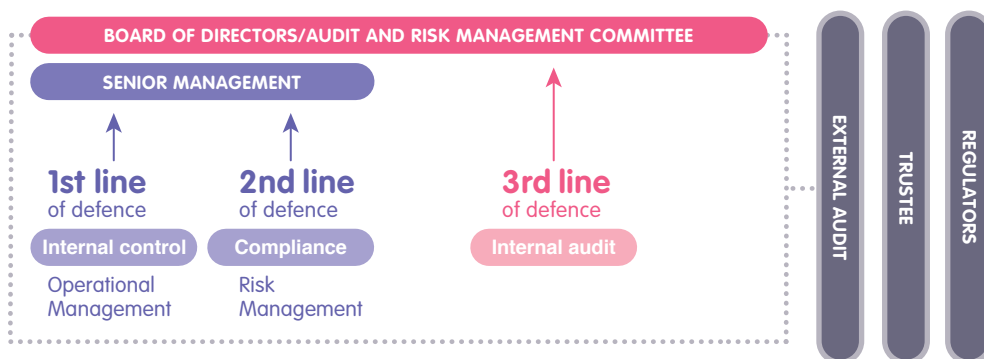
Risk Management

During 2016/2017, we continued to improve our risk management policies and strengthen an already robust risk culture within our business where we align risk management with strategies in our decision making process. Our risk management is as much about recognising and leveraging opportunities as about mitigating risks which have placed us in a competitive position to achieve our strategic objectives in a challenging environment.

Three Lines of Defence

A robust enterprise risk management framework coupled with strong internal control processes are cornerstones for our ongoing business development and growth. With clearly established roles and responsibilities for Three Lines of

Defence, our integrated risk management framework provides a basis for implementing a consistent and effective approach to identify, evaluate and respond to principal risks.



Roles and Responsibilities

Board of Directors/Audit and Risk Management Committee ("ARMC")

The Board has overall accountability for Link's risk management. The Board has delegated to the ARMC the responsibility for determining the nature, assessing likelihood and impact of risks on Link's business and ensuring appropriate mitigating strategies are in place. The Board receives regular reports through the ARMC and from the risk management and the internal audit functions.

1st Line of Defence – Operational Management

Being the first line of defence, management and business units are in charge of business risk decision making. Control and monitoring procedures over risk management have been integrated into the daily operations with clear policies and procedures. This ensures that management is operating within the guidelines of our established control framework. During the year under review, management had reviewed the existing policies and procedures and planned for additional measures to be in place to anticipate and manage risks associated with Link's new business initiatives, particularly in the Mainland China portfolio and property development.

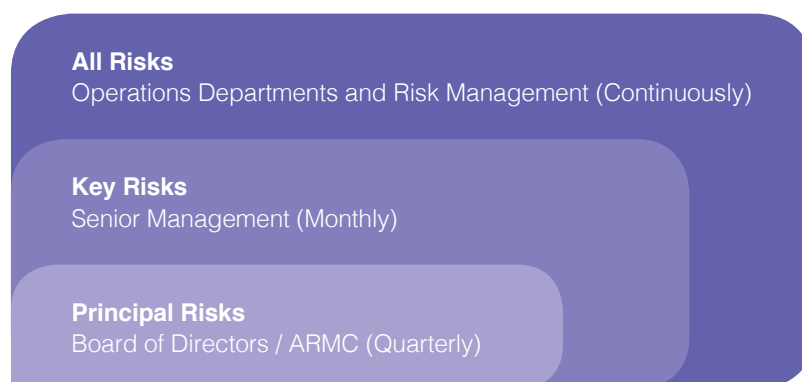
2nd Line of Defence – Risk Management and Compliance

The Risk Management and Compliance function, as the second line of defence, monitors the effectiveness of the enterprise risk management framework. In particular, it provides guidelines to business functions to facilitate the risk management processes, support management in assessing known and emerging risks, conduct risk analyses and risk workshops, maintain key risk indicators, develop risk reports, follow up on mitigation actions and

assist in developing escalation policies and the respective internal controls. As part of our risk reporting, internal control issues identified at the functional level, if any, will be reported to the Board/ARMC/senior management to ensure that the risk oversight responsibilities could be carried out effectively.

(A more detailed explanation of the Audit and Risk Management Committee's activities is included in the *Governance, Disclosures and Financial Statements* report on pages 22-24.)

Link's risks are monitored by



3rd Line of Defence – Internal Audit

By carrying out independent reviews of key business processes and controls in accordance with the annual audit plan approved by the ARMC, the internal audit function, as the third line of defence, provides independent objective assurance to the ARMC on whether the control environments within the business are adequate. The internal audit function periodically reports to the ARMC and has regular meetings with the chairman of the ARMC bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. A whistle blowing policy has been in place such that possible improprieties may be detected earlier and brought to the attention of management and the ARMC.

Recognised Risk Management and Assessment Framework

With reference to a globally recognised risk management framework (ISO31000: 2009), establishing context is about setting the parameters around Link's risk appetite and risk management activities. It is important to ensure that the risk

mitigating measures and the objectives defined for the risk management processes have taken both the organisational and external environment into account. This step aims to provide a comprehensive appreciation of all factors that may have influence on the ability of Link to achieve its business goals.

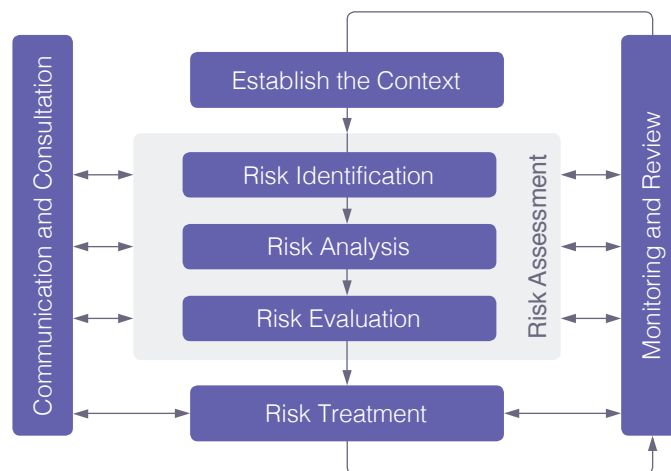
Risk identified through our risk management processes are prioritised based on the impact and likelihood criteria which have been clearly defined and approved by the Board.

After accessing the inherent risks by possible causes, sources, likelihood and impact of the risk event, we can lower the risk by reducing the likelihood of the risk event occurring or by reducing the significance of the risk impact if it does occur. Residual risk remains after mitigations are applied to an identified inherent risk.

An annual risk assessment, through various risk workshops, has been performed in an integrated top-down and bottom-up approach. Existing mitigating measures have been discussed and risks are evaluated at the entity level as well as the individual department/functional level to determine the residual risk ratings.

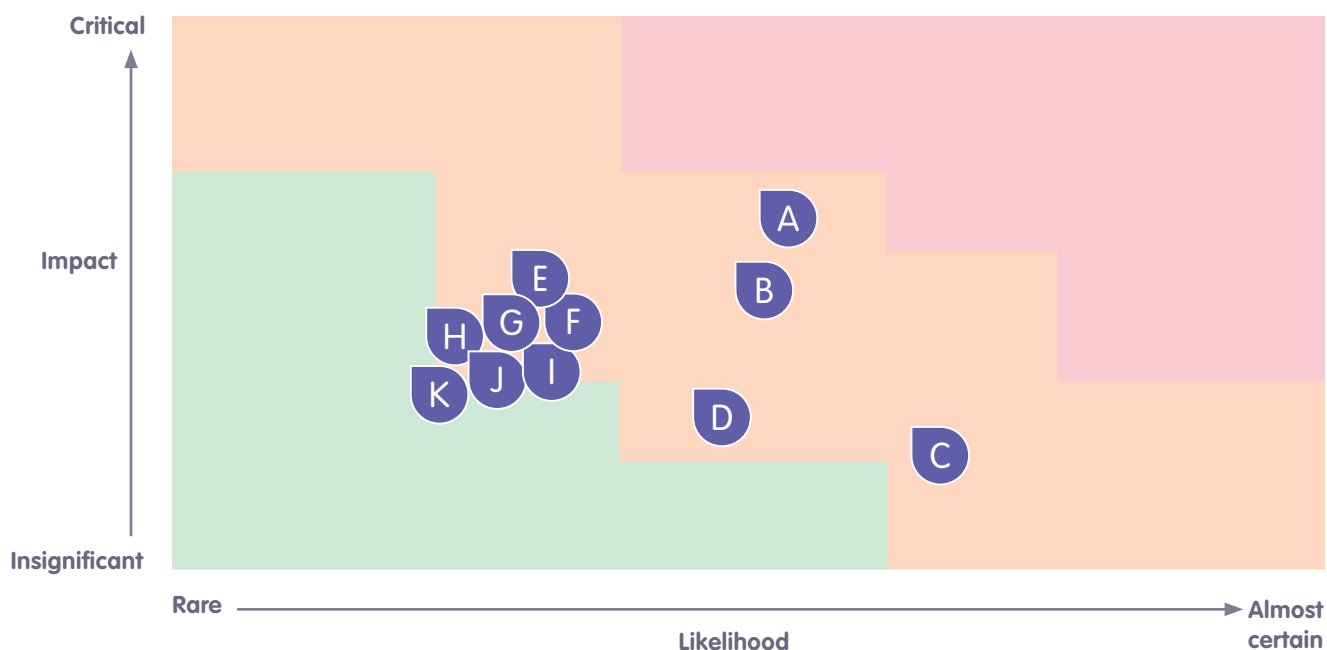
Such risks are discussed and responsibility for them is assigned to individual department or function most suitable to manage the risk. Assigned owners are required to continually monitor, evaluate and report on risks for which they bear responsibility.

Risk management process



(Source: The ISO 31000:2009 Risk Management Process)

Residual risk heat map



A – Political
B – Economic Outlook
C – Brand and Reputation

D – Financial Market Volatilities
E – Legal and Regulatory Compliance
F – Asset Acquisition/Disposal Strategy
G – Rental Income Sustainability

H – Project Management
I – Information Technology
J – Investor Relations
K – Talent Strategy

We have performed our annual risk assessment for 2016/2017 where we have reviewed and assessed the momentum of key risk areas (see below) which may affect the achievement of our strategic priorities and capitals. Based on the results of the 2016/2017 risk assessment, we concluded that the risk momentum of Link remains stable.

Link's Principal Risks



Financial



Manufactured



Human



Natural



Social & Relationship



Intellectual

Principal risks	Risk descriptions	<IR> Framework
A Political	Changes in political landscape or relevant government policies may create difficulties or uncertainties towards the operating environment of Link and its tenants	   
B Economic Outlook	Unexpected adverse changes in macroeconomic environment could limit the ability of Link to meet investors' expectations on sustainable high growth in distribution yield and asset valuation	  
C Brand and Reputation	Significant time and resources may be required to cope with public criticisms, media scrutiny, protests and other negative actions relating to our business practices and may impact our brand value/reputation	 
D Financial Market Volatilities	Unbudgeted volatilities in financial markets may have a material impact on Link's financing costs and portfolio valuation	 
E Legal and Regulatory Compliance	Significant time and resources may be required to review business strategies/policies and procedures to cope with legal and/or regulatory changes	   
F Asset Acquisition/ Disposal Strategy	Fundamental assumptions and processes that underpin Link's acquisition and disposal strategies may be undermined, potentially impairing our ability to achieve financial performance targets	  
G Rental Income Sustainability	Unexpected reduction of rental income due to loss of major tenants or changes in tenant's own strategy or customer shopping behaviours may affect our rental income sustainability	   
H Project Management	Poor project monitoring on the scope, design, costs, quality, time, variation orders and communication may have a material adverse impact to Link's return on investment relating to property development and asset enhancement projects	 
I Information Technology	Link may not be sufficiently prepared to prevent, detect and respond to the ever-changing cyber-threats which may cause business interruption and/or leakage of confidential information	  
J Investor Relations	May not be able to successfully position Link Units as an investment of choice, maintain and expand its investor base in a volatile business environment as sustainability of profits and valuation are under challenge	 
K Talent Strategy	Ineffective talent strategy resulting in a prolonged loss of key executive(s)/management may affect Link's ability to deliver its long term strategies	  

Corporate Governance

The Board is committed to strong responsible governance to ensure that we generate long-term value from the assets we manage.

Link believes responsible governance should transcend mere fulfilling of regulatory requirements to become a value that is shared and upheld within Link. Good corporate governance is the cornerstone for long-term success. Complete disclosure on our corporate governance can be found in our *Governance, Disclosures and Financial Statements* report.

The Board sets strategy and risk appetite, leads and provides insights to management, monitors business progress against agreed business targets, and approves the recommendation of matters delegated to the four Board Committees.

Currently, there are 13 Board members comprising 2 Executive Directors (EDs) who are the CEO and the CFO, 1 Non-Executive Director (NED), and 10 Independent Non-Executive Directors (INEDs).

Our Governance Framework

Accountability is assured through our corporate governance framework which clearly defines functions and duties between the Board and management, establishes checks and balances via internal and external audit, and has in place robust risk management controls. To ensure alignment on our corporate strategy, we hold an annual Board strategy meeting which enables the Board to conduct a thorough review of our business including identifying cyclical and emerging changes in the industry as well as up-to-date business insights. The Board receives regular updates from management on progress against the agreed upon strategy.

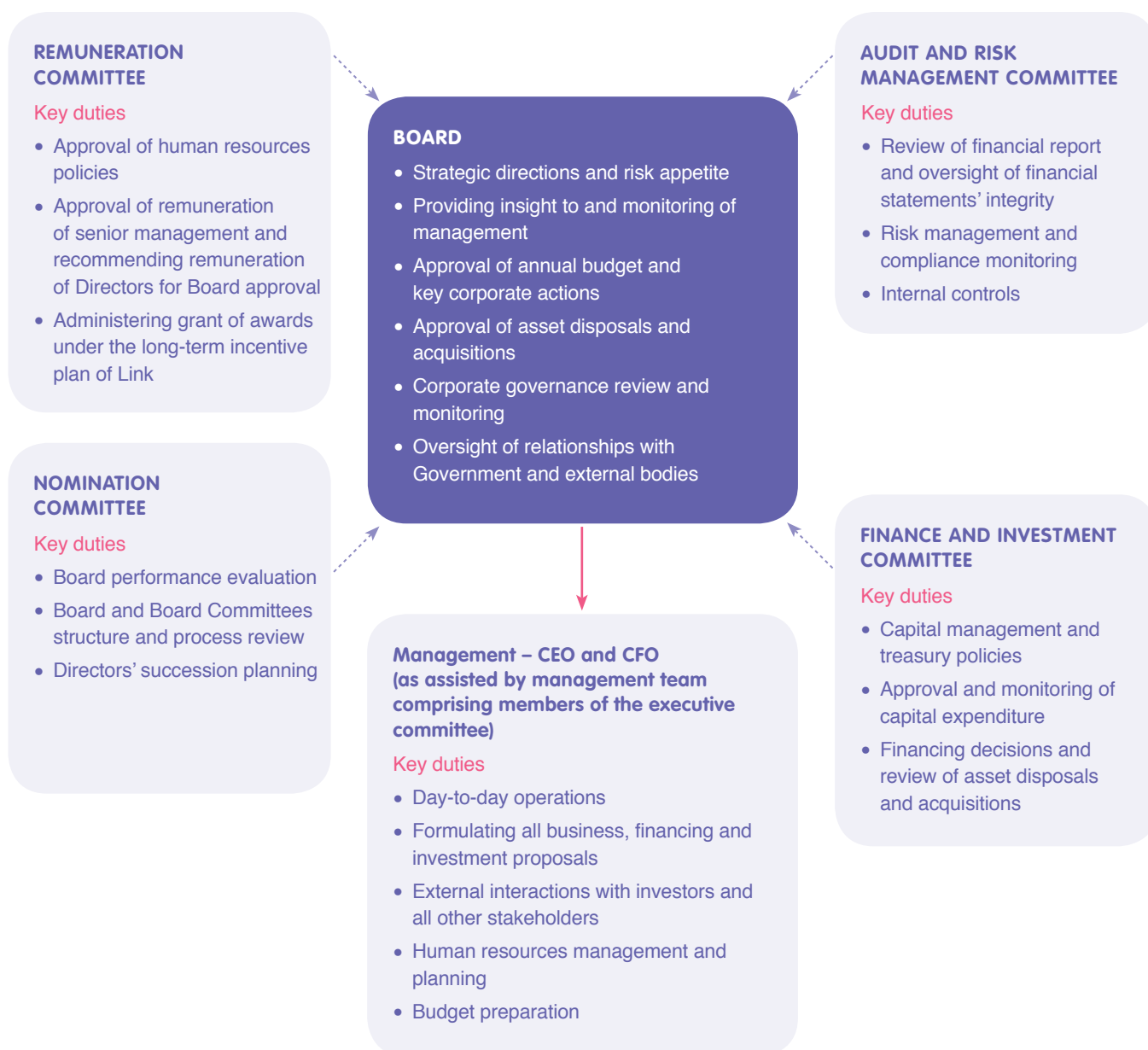
Our Board

Key governance highlights

High Independence	<ul style="list-style-type: none"> • INEDs – 77% • Board and all Board Committees are chaired by INEDs
Higher Diversity	<ul style="list-style-type: none"> • Gender – Female 31% • Diversity on range of expertise
Strong Time Commitment	<ul style="list-style-type: none"> • Number of Board/Board Committee meetings during the year – total 26 • Average duration per meeting – approximately 3 hours (excluding off-site Board Strategy meeting)
Strong Board Process	<ul style="list-style-type: none"> • Yearly strategic review • Regular Board performance evaluation • Vigorous induction, training, and support for all Directors • Private session of INEDs and NED without EDs

Relationships among the Board, Board Committees and Management

In the course of discharging its duties, the Board is assisted by the Audit and Risk Management Committee, the Finance and Investment Committee, the Remuneration Committee and the Nomination Committee, with each operating under specific terms of reference as approved and reviewed from time to time by the Board. These updated terms of reference are posted on Link's corporate website (Linkreit.com). The reports of the Audit and Risk Management Committee, the Nomination Committee, the Remuneration Committee, and the Finance and Investment Committee for the year under review are set out on pages 22 to 30 of this Governance, Disclosures and Financial Statements report.



2016/2017 Board Performance Evaluation

Board performance is evaluated on an on-going basis by the Nomination Committee which reports its findings to the Board. The Board has set the practice of carrying out a formal evaluation of its performance through the facilitation of external consultant every three years. In between reviews by external consultants, Board evaluation will be conducted internally by the chairman of the Nomination Committee (who is also the Board Chairman).

Investor Information

Listing of the Units

Link's units are listed on the Main Board of the Stock Exchange (stock code: 823) in board lot size of 500 units.

There were 2,213,002,276 units in issue as at 31 March 2017. Further details of units in issue are set out in Note 25 to the consolidated financial statements.

Financial Calendar

Final results announcement for the financial year ended 31 March 2017	7 June 2017
Ex-final distribution date	20 June 2017
Closure of register of Unitholders (for final cash distribution) ⁽¹⁾	22 June to 26 June 2017 (both days inclusive)
Record date for final cash distribution	26 June 2017
Final cash distribution payment date	5 July 2017
Closure of register of Unitholders (for the 2017 AGM) ⁽²⁾	21 July to 26 July 2017 (both days inclusive)
2017 AGM	26 July 2017
Interim results announcement for the six months ending 30 September 2017	November 2017

Notes:

- (1) In order to qualify for the final cash distribution of HK116.66 cents per unit for the year ended 31 March 2017, Unitholders should ensure that 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 21 June 2017.
- (2) In order for Unitholders to be eligible to attend and vote at the 2017 AGM, all transfer documents accompanied by the relevant unit certificates must be lodged with Link's unit registrar, Computershare Hong Kong Investor Services Limited (at the address above), for registration not later than 4:30 p.m. on 20 July 2017.

Financial reports, announcements, circulars, notices, other corporate communications, press releases and other investor information of Link are available online at Link's corporate website at Linkreit.com. To promote environmental protection, we recommend you to view our publications online at our corporate website instead of using printed copies.

Investor Relations Contact

Investor Relations Department

Address: 33/F., AXA Tower, Landmark East,
100 How Ming Street, Kwun Tong,
Kowloon, Hong Kong
Telephone: (852) 2175 1800
Facsimile: (852) 2175 1900
Email: ir@linkreit.com

Corporate Communications Contact

Corporate Communications Department

Address: 33/F., AXA Tower, Landmark East,
100 How Ming Street, Kwun Tong,
Kowloon, Hong Kong
Telephone: (852) 2175 1800
Facsimile: (852) 2175 1938
Email: mediaenquiries@linkreit.com

Customer Service Contact

Hotline: (852) 2122 9000

Websites

Linkreit.com (corporate website)
Linkhk.com (customer website)

Mobile App



Linkhk.com

Park & Dine Mobile App

Index Inclusion

Link is a component of the following selected indices:

Dow Jones Sustainability Asia Pacific Index

FTSE4Good Index

FTSE All-World Index Series

FTSE EPRA⁽¹⁾ / NAREIT⁽²⁾ Global Real Estate Index Series

FTSE EPRA⁽¹⁾ / NAREIT⁽²⁾ Developed Index

FTSE EPRA⁽¹⁾ / NAREIT⁽²⁾ Developed Asia Index

FTSE RAFI All World 3000

Russell RAFI Index Series

Russell Global Index

GPR⁽³⁾ 250 (World) Index

GPR⁽³⁾ 250 Asia Index

GPR⁽³⁾ 250 Asia Pacific Index

GPR⁽³⁾ 250 Hong Kong Index

GPR⁽³⁾ 250 REIT (World) Index

GPR⁽³⁾ 250 REIT Asia Index

GPR⁽³⁾ 250 REIT Asia Pacific Index

GPR⁽³⁾ 250 REIT Hong Kong Index

GPR⁽³⁾ General (World) Index

GPR⁽³⁾ General Asia Index

GPR⁽³⁾ General Hong Kong Index

GPR⁽³⁾ General Quoted (World) Index

GPR⁽³⁾ General Quoted Asia Index

GPR⁽³⁾ General Quoted Hong Kong Index

Hang Seng Index

Hang Seng REIT Index

Hang Seng Corporate Sustainability Index

MSCI⁽⁴⁾ All Country World Index

MSCI⁽⁴⁾ All Country Asia Pacific ex-Japan Index

MSCI⁽⁴⁾ World Index

MSCI⁽⁴⁾ Hong Kong Index

GPR⁽³⁾/APREA⁽⁵⁾ Composite Index

GPR⁽³⁾/APREA⁽⁵⁾ Composite Hong Kong Index

GPR⁽³⁾/APREA⁽⁵⁾ Composite REIT Index

GPR⁽³⁾/APREA⁽⁵⁾ Composite REIT Hong Kong Index

GPR⁽³⁾/APREA⁽⁵⁾ Investable 100 Index

GPR⁽³⁾/APREA⁽⁵⁾ Investable 100 Hong Kong Index

GPR⁽³⁾/APREA⁽⁵⁾ Investable REIT 100 Index

Notes:

(1) European Public Real Estate Association

(2) National Association of Real Estate Investment Trusts

(3) Global Property Research

(4) Morgan Stanley Capital International

(5) Asia Pacific Real Estate Association

Definitions and Glossary Terms

2007 LTI Plan	the long-term incentive plan of Link adopted by Unitholders on 23 July 2007
2016 AGM	the annual general meeting of Unitholders held on 27 July 2016
2017 AGM	the annual general meeting of Unitholders scheduled to be held on 26 July 2017
Articles of Association	articles of association of the Manager
average monthly unit rent	the average base rent plus management fee per month per square foot of leased area
base rent	in respect of a lease, the standard rent payable under the lease, exclusive of any additional turnover rent (if applicable) and other charges and reimbursements
Board or Board of Directors	board of directors of the Manager
Board Chairman or Chairman	Chairman of the Board (unless the context requires otherwise)
Board Committees	committees of the Board to discharge the duties set out in their respective terms of reference as approved by the Board which, as at the date of this report, include the Audit and Risk Management Committee, the Nomination Committee, the Remuneration Committee, and the Finance and Investment Committee, and " Board Committee " refers to any one of them
CBD	central business district
CEO	Chief Executive Officer of the Manager
CFO	Chief Financial Officer of the Manager
Compliance Manual	the compliance manual of the Manager which sets out the key processes, systems and measures in respect of Link's operations
DCF	discounted cash flow
Director(s)	director(s) of the Manager
DPU	distribution per unit in respect of the total distributable amount of Link for a financial year/period
ESG	environmental, social and governance
EUPP	employee unit purchase plan, pursuant to which an eligible employee who meets the prescribed criteria is entitled to subsidy from the Manager for purchasing through an independent third party intermediary the units of Link in the open market in accordance with the rules of the plan
GAV Cap	10% of Link's gross asset value (and as calculated in the manner set out in the Trust Deed)

Group	Link and its subsidiaries (unless the context requires otherwise)
Hong Kong	Hong Kong Special Administrative Region of The People's Republic of China
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
IIRC	International Integrated Reporting Council
IPO	initial public offering of Link's units in Hong Kong
lease	a lease or a tenancy agreement (both of which grant a possessionary interest) or a licence (which merely constitutes an authority to do something) in respect of premises at the retail properties granted to a tenant
KPI	Key Performance Indicator
Link or Link REIT	Link Real Estate Investment Trust
Link Corporate Governance Policy	the corporate governance policy set out in the Compliance Manual
Link Securities Dealing Code	the code governing dealings in securities of Link by Directors and relevant senior employees of the Manager
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Listing Rules Corporate Governance Code	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
Manager	Link Asset Management Limited, which is the manager of Link
market capitalisation	the market value of the REIT calculated by multiplying the number of units in issue by the prevailing unit price quoted on the Stock Exchange
MTN Programme	the Guaranteed Euro Medium Term Note Programme established by The Link Finance (Cayman) 2009 Limited (a wholly-owned subsidiary of Link) in May 2009, and "MTN" refers to note(s) issued or to be issued from time to time pursuant to the MTN Programme
NPI	net property income, being total revenue less direct property related expenses
occupancy rate	the aggregated leased area as a percentage of total leasable area
PRC	The People's Republic of China and if the context requires, exclude Hong Kong
Principal Valuer	the Principal Valuer (as defined in the REIT Code) of Link, which is currently Jones Lang LaSalle Limited

psf or sq ft	per square foot or square feet
REIT(s)	real estate investment trust(s)
REIT Code	Code on Real Estate Investment Trusts issued by the SFC
retail operations	the operations within the shopping centres, including shop units, market stalls, cooked food stalls, education and welfare, office, ancillary and mall merchandising
return on investment	projected NPI post asset enhancement minus NPI pre asset enhancement divided by the estimated amount of project capital expenditure and loss of rental
reversion rate	the percentage change in per square foot average unit rent between old and new leases on the same unit
RMB	Renminbi, the lawful currency of the PRC
SFC	Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
significant holder or significant Unitholder	has the meaning of "significant holder" under 8.1(d) of Chapter 8 of the REIT Code (i.e. holder of an interest of 10% or more in the units of Link)
SPVs	special purpose vehicles (within the meaning of the REIT Code and the Trust Deed)
sqm	square metre
tenant	a lessee, a tenant or a licensee (as the case may be) under a lease
total distributable amount	total distributable amount for a financial year/period is the total distributable income and any additional amount (including capital) that the Manager has determined to be distributable
total distributable income	the consolidated profit after taxation attributable to Unitholders (equivalent to profit for the financial year/period, before transactions with Unitholders attributable to Unitholders) adjusted to eliminate the effect of certain non-cash adjustments
Trust Deed	the trust deed dated 6 September 2005 between the Trustee and the Manager constituting Link, as amended and supplemented by 11 supplemental deeds
Trustee	trustee of Link, which is currently HSBC Institutional Trust Services (Asia) Limited
turnover rent	rent calculated and charged by reference to a pre-determined percentage of a tenant's gross sales turnover in excess of the base rent
unit(s)	unit(s) of Link (unless the context requires otherwise)
Unitholder(s)	holder(s) of unit(s) of Link

Corporate Information

Board of Directors of the Manager

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

Company Secretary of the Manager

Ricky CHAN Ming Tak

Responsible Officers of the Manager⁽¹⁾

George Kwok Lung HONGCHOY
Andy CHEUNG Lee Ming
Hubert CHAK
Christine CHAN Suk Han
Eric YAU Siu Kei

Authorised Representatives⁽²⁾

Andy CHEUNG Lee Ming
Ricky CHAN Ming Tak

Trustee

HSBC Institutional Trust Services (Asia) Limited

Auditor

PricewaterhouseCoopers

Principal Valuer

Jones Lang LaSalle Limited

Registered Office of the Manager

33/F., AXA Tower, Landmark East,
100 How Ming Street,
Kwun Tong, Kowloon,
Hong Kong

Town Office of the Manager

Suite 3004, 30/F.,
9 Queen's Road Central,
Hong Kong

Unit Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F.,
Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555

(1) Required by the SFO

(2) Required by the Listing Rules

Link Real Estate Investment Trust
[Linkreit.com](https://linkreit.com)

