



## The Link Real Estate Investment Trust

(a Hong Kong unit trust authorized under section 104 of the Securities and Futures Ordinance  
(Chapter 571 of the Laws of Hong Kong))  
(Stock Code: 823)

### INTERIM RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2006

#### TOTAL DISTRIBUTABLE INCOME FOR THE PERIOD

The Manager's policy is to distribute to unitholders 100% of The Link Real Estate Investment Trust's ("The Link REIT") total distributable income as defined pursuant to the Trust Deed of The Link REIT. After the elimination of the effects of certain non-cash adjustments, the total distributable income for the period ended 30 September 2006 (the "Period") was HK\$702 million. This represented an increase of 6.3% over the committed distribution as indicated in the Offering Circular for the year ending 31 March 2007 on an annualised basis.

#### DISTRIBUTION PER UNIT

The distribution per unit is HK\$0.3281, representing an annualised distribution yield of 6.37% based on the final offer price of HK\$10.30, or an effective distribution yield of 4.05% based on the last traded price of HK\$16.22 as of 30 September 2006.

The register of unitholders will be closed from 12 to 14 December 2006, both days inclusive. The distribution to unitholders will be paid on 21 December 2006.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Operation Review

##### Property Portfolio

The Link REIT has a geographically diverse portfolio of 180 properties, comprising 149 integrated retail and carpark facilities, 2 standalone retail facilities and 29 standalone carpark facilities.

As at 30 September 2006, the portfolio provided an internal floor area of approximately 1,000,000 square metres of retail space and approximately 80,000 carpark spaces.

##### The Manager

The Manager is responsible for managing the portfolio of 180 properties. As at 30 September 2006, the Manager had 326 staff. Key activities of the Manager include leasing, property management, enhancement and maintenance works, investment and fund management and associated corporate services.

##### Leasing

According to its planned strategies, the Manager continued to re-align and optimise the trade mix to meet the aspirations of customers. Popular brandnames have set up new operations or opened more outlets at The Link REIT's shopping centres. These initiatives are increasing customer flow and utilisation of the adjacent carparks.

During the Period, the Manager increased the occupancy rate from 91% to 92.3%. The majority of the new tenants have occupied retail space which had been vacant for quite some time. About 30% of the new leases, mainly in the food and beverage (F & B) and retail trades, have a turnover rent clause.

During the Period, the portfolio's average rent reversion rate was 8.3%, and that for the retail shopping space was 9.3%. The reversion rate at individual shopping centres showed a large variance as rental levels were affected by the local operating business environment at, and the quality of, the individual centres. Short term extensions also affected the reversion rate as they were granted at minimal adjustments to tie in with the planned and phased re-alignment of trade mix and asset enhancement projects.

##### Portfolio Management

The Manager has completed the regrouping and reorganizing of its external property management agents and carpark operators on a geographical basis to provide more effective and efficient services, and have achieved cost savings of about 11% in management fees. As of July 2006, there were nine property management agents and three carpark operators providing management services to retail and carpark facilities of The Link REIT. These and other cost efficiency initiatives have contained operating costs. Expenditure to income ratio for the Period was 40.5%, despite energy consumption being higher in the summer months.

The Manager has increased charges, introduced flexible charging rates to meet local circumstances, and implemented incentive parking at selected carparks to reward spending at their adjacent shopping centres with free carparking hours. The latter programme has proved to be an effective way to encourage customer flow, with over one hundred thousand of redemption requests each month. Localised incentive programmes to increase carparking utilisation were also launched to tap new business opportunities, such as the opening of the Hong Kong Wetland Park, Ngong Ping Skyrail, and Tuen Mun — Zhuhai ferry services.

Installation of energy savings devices in 136 carparks was completed and will help to reduce electricity cost by 15.5% at these carparks. Procurement of a carpark management information and automation system was completed and installations will commence by end 2006. This new system, together with the upgrading and standardisation of CCTV systems, will further enhance operational efficiency, customer services, and reduction in operating cost.

##### Asset Enhancement

Asset enhancement remains the Manager's main driver to improve the quality of the portfolio, to re-align existing tenancies and introduce new trade mix to raise rental income. The completion of the initial phases of asset enhancement at Tsz Wan Shan, Lung Cheung Mall and Hau Tak Shopping Centres and a proactive leasing strategy to bring in new trades have enlivened these centres, delivering more choices to the shoppers and improving business environment for the new and existing tenants. The other phases will be completed in 2007/08.

At the Hau Tak Shopping Centre, the renovated east wing, with its improved trade mixes and state-of-the-art hardware design, contrast greatly with the existing west wing, and has put it on par with the nearby shopping facilities in terms of competitiveness as well as rental level.

The opening of the new shops in the Lung Cheung Mall has also prompted existing tenants to renovate their shops and improve their range of products. The completion of the remaining improvement works will create a bustling tourist friendly passageway with interesting shops and will enable the mall to further capitalise on its proximity to the Wong Tai Sin Temple and bring up the rental levels.

The new popular brandnames introduced at the Tsz Wan Shan Shopping Centre are operating very well. The newly introduced "high-street" shopping environment has attracted more brandnames to seek retail space at the centre.

According to surveys conducted by the Hong Kong Polytechnic University, overall customer satisfaction rating jumped by over 60% on completion of asset enhancement projects. The Manager will continue with the other phases of enhancement works within these three shopping centres and expects the works to be substantially completed in financial year 2007/08.

The Manager has commenced work on the five other centres identified during the initial public offering. The Manager has also identified seven other asset enhancement projects and have appointed external consultants to take them forward for completion in the next leasing cycle.

##### Financial Review

##### Revenue and Net Property Income

Revenue and net property income from the properties portfolio during the Period were HK\$1,956 million and HK\$1,164 million, respectively. This represented an average of HK\$326 million of revenue and net property income of HK\$194 million per month.

Total revenue was made up of HK\$1,401 million of retail rental, HK\$435 million of carpark income and HK\$120 million of other income.

Net property income represented approximately 59.5% of total revenue, after the deduction of property management costs and other property operating expenses. The expenditure to income ratio improved from budgeted 42% to 40.5%.

##### Refinancing

During the Period, The Manager has made necessary refinancing arrangements for The Link REIT's existing HK\$12.5 billion bridging facility (the "Bridging Loan") which is repayable in full in November 2006.

In August 2006, The Link REIT, through its subsidiary, The Link Finance (Cayman) 2006 Limited, issued three tranches of guaranteed notes with two-year and three-year maturities to refinance HK\$3.6 billion of the Bridging Loan. The guaranteed notes have been rated "A3" by Moody's Investors Service, Inc. and "A" by Standard & Poor's Rating Services. In August 2006, a HK\$5 billion five-year syndicated loan from international banks has been arranged. In September 2006, The Link Finance Limited entered into an agreement for the sale and purchase of a HK\$4 billion mortgage loan with The Hong Kong Mortgage Corporation Limited which is expected to complete in November 2006 and this will also complete the refinancing of the Bridging Loan. This is the first-ever sale of mortgage loan by a real estate investment trust in Hong Kong. The sale proceeds will be used to partially refinance the Bridging Loan.

The majority of The Link REIT's borrowings are either arranged for interest rate swap hedge or at fixed rates. The Manager closely monitors and continuously reviews the loan portfolio in respect of interest rate exposure.

With the diversity of sources of funding and the extended maturity profile of the borrowings, The Link REIT has put itself in a strong financing and risk management position. Together with its strong credit rating (an "A" rating from Standard & Poor's and an "A3" from Moody's were awarded in June 2006), The Link REIT has established a strong profile in the international financial market and laid an important groundwork to move its business forward.

The Link REIT did not charge any of the group assets during the Period.

##### Gearing Ratio

Total bank borrowings and guaranteed notes of The Link REIT represented 28.9% of the total gross asset value of The Link REIT at the Period end date.

##### Gross Liabilities and Net Assets

As at 30 September 2006, gross liabilities (excluding net assets attributable to unitholders) accounted for HK\$17,569 million, or 41.7% of gross asset value. Net assets attributable to unitholders were HK\$24,540 million, or HK\$11.48 per unit.

##### Property Valuation

The Manager has performed an internal assessment of the fair value of the portfolio as at 30 September 2006. In arriving at the estimated fair value, the methodology was based on the income capitalisation approach.

The value of the investment properties, as revalued by CB Richard Ellis Limited, the Principal Valuer, is HK\$35,772 million as at 31 March 2006. Based on the internal assessment, the increase in fair value of the investment properties, amounts to HK\$707 million, which has been included in the income statement for the period ended 30 September 2006.

##### Cash Position

As at the Period end date, The Link REIT had cash balances and bank deposits totalling HK\$1,481 million with maturities well planned to satisfy its financial commitments and working capital requirements. The Manager has adopted a principal preservation approach in cash management to ensure flexibility to meet the operational needs of The Link REIT.

##### Units in Issue

Upon listing on 25 November 2005, a total of 2,137,454,000 units were issued. During the Period under review, the units have been actively traded. The last traded price as of 30 September 2006 was HK\$16.22, representing a premium of 57.5% over the subscription price of HK\$10.30. The last traded price also reflected a premium of 41.3% on the net asset value of HK\$11.48 per unit.

##### Prospects

The Manager will continue to focus on asset enhancements and trade mix improvements within its portfolio to optimise the potential of the retail facilities. In order to further improve operating efficiency and cost control, the Manager will develop and implement streamlined management structure and operating models to suit the requirements of The Link REIT. The Manager will also explore and consider any yield accretive acquisitions if there are suitable facilities to be acquired.

#### CONSOLIDATED FINANCIAL STATEMENTS

##### Condensed Consolidated Interim Income Statement

For the six months ended 30 September 2006

	<i>Note</i>	<b>Six months ended 30 September 2006 (Unaudited) HK\$'M</b>
Revenues	2	1,956
Property operating expenses		(792)
Net property income		1,164
Interest income		28
General and administrative expenses		(41)
Change in fair values of investment properties		707
Operating profit	4	1,858
Finance costs on bank borrowings and guaranteed notes		(292)
Profit before taxation and transactions with unitholders		1,566
Taxation	5	(274)
Profit for the period, before transactions with unitholders	6	1,292
Distributions paid to unitholders		(467)
Change in net assets attributable to unitholders		825

##### Notes:

- (i) In accordance with the Trust Deed, The Link REIT is required to distribute to unitholders not less than 90% of the Distributable Income for each financial period. The Trust also has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations of the Trust to pay to its unitholders cash dividends and also upon termination of the Trust, a share of all net cash proceeds derived from the sale or realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust at the date of the termination. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32: Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the income statement.
- (ii) Total Distributable Income for the six months ended 30 September 2006 is determined in note 7. The distribution declared in respect of this financial period are set out in the Statement of Distributions, and will be paid out to unitholders on 21 December 2006.
- (iii) Earnings per unit, based upon profit after tax before transactions with unitholders and the average number of units in issue, are set out in note 6.
- (iv) The Link REIT remained inactive for the period from 6 September 2005 (date of establishment) to 30 September 2005. Accordingly, no comparative figures for the condensed consolidated interim income statement were presented.

**Condensed Consolidated Interim Balance Sheet**  
*As at 30 September 2006*

		30 September 2006 (Unaudited) HK\$'M	31 March 2006 (Audited) HK\$'M
<b>Non-current assets</b>			
Goodwill		3,988	3,988
Investment properties		36,515	35,772
Property, plant and equipment		36	32
		<u>40,539</u>	<u>39,792</u>
<b>Current assets</b>			
Accounts and other receivables	8	64	122
Deposits and prepayments		25	10
Short term bank deposits		1,230	453
Cash and cash equivalents		251	314
		<u>1,570</u>	<u>899</u>
<b>Total assets</b>		<u>42,109</u>	<u>40,691</u>
<b>Current liabilities</b>			
Receipt in advance, accruals and other payables		650	332
Security deposits		300	288
Bank borrowings		8,569	12,169
		<u>9,519</u>	<u>12,789</u>
<b>Net current liabilities</b>		<u>7,949</u>	<u>11,890</u>
<b>Total assets less current liabilities</b>		<u>32,590</u>	<u>27,902</u>
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Guaranteed notes		3,589	—
Deferred tax liabilities		4,461	4,187
		<u>8,050</u>	<u>4,187</u>
<b>Total liabilities</b>		<u>17,569</u>	<u>16,976</u>
<b>Net assets attributable to unitholders</b>		<u>24,540</u>	<u>23,715</u>
Units in issue		2,137,454,000	2,137,454,000
Net asset value per unit		HK\$11.48	HK\$11.09

**Condensed Consolidated Interim Statement of Changes in Net Assets Attributable to Unitholders**  
*For the six months ended 30 September 2006*

	HK\$'M
At 1 April 2006	23,715
Profit for the period, before transactions with unitholders	1,292
Distributions paid	(467)
Change in net assets attributable to unitholders	825
At 30 September 2006	<u>24,540</u>

**Statement of Distributions**
*For the six months ended 30 September 2006*

	Six months ended 30 September 2006 (Unaudited) HK\$'M
Total Distributable Income	702
Distributable amount to be paid to unitholders for the period	702
As a percentage of Total Distributable Income	100%
Units in issue	2,137,454,000
Distribution per unit	<u>32.81 HK cents</u>

**Notes:**

- (i) Pursuant to the Trust Deed, The Link REIT is required to ensure that the total amount distributed to unitholders as distributions for each financial year/period shall be no less than 90% of "Total Distributable Income", plus at its discretion, any other additional amount that the Manager determines is distributable. The Manager intends to distribute 100% of Total Distributable Income as the Distributable Amount for the interim reporting period ended 30 September 2006. The distributions will be paid out to unitholders on 21 December 2006.
- (ii) Under the terms of the Trust Deed, the Total Distributable Income is the consolidated profit after tax attributable to unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the income statement for the relevant period. The adjustments to arrive at Total Distributable Income for this interim reporting period are set out in note 7.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**1. Basis of preparation**

The condensed consolidated interim financial statements have been prepared in accordance with HKAS 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the period from 6 September 2005 (date of establishment) to 31 March 2006.

**2. Revenues**

Revenues recognised during the period comprise:

	HK\$'M
Rental income from retail properties	1,401
Gross rental receipts from car parks	435
	<u>1,836</u>
Other revenues	
Air conditioning service fees	118
Other property related income	2
	<u>120</u>
Total revenues	<u>1,956</u>

Lease arrangements with tenants provide for base monthly rental charges and recovery of certain outgoings. Additional rents based on business turnover, amounting to HK\$12 million, have been included in the rental income.

**3. Segment information**

	Retail properties HK\$'M	Carparks HK\$'M	Head office HK\$'M	Total HK\$'M
<b>For the six months ended 30 September 2006</b>				
Revenues	1,521	435	—	1,956
Segment results	932	232	(41)	1,123
Change in fair values of investment properties	706	1	—	707
Interest income	—	—	—	28
Finance costs on bank borrowings and guaranteed notes	—	—	—	(292)
Profit before taxation and transactions with unitholders	—	—	—	1,566
Taxation	—	—	—	(274)
Profit for the period, before transactions with unitholders	—	—	—	<u>1,292</u>
Capital expenditure	31	5	8	44
Depreciation	—	—	(4)	(4)
<b>As at 30 September 2006</b>				
Segment assets	29,871	6,686	83	36,640
Goodwill	—	—	—	3,988
Short term bank deposits	—	—	—	1,230
Cash and cash equivalents	—	—	—	251
				<u>42,109</u>
Segment liabilities	754	78	118	950
Bank borrowings and guaranteed notes	—	—	—	12,158
Deferred tax liabilities	—	—	—	4,461
				<u>17,569</u>
Net assets attributable to unitholders				<u>24,540</u>

	Retail properties HK\$'M	Carparks HK\$'M	Head office HK\$'M	Total HK\$'M
<b>As at 31 March 2006</b>				
Segment assets	29,114	6,726	96	35,936
Goodwill	—	—	—	3,988
Short term bank deposits	—	—	—	453
Cash and cash equivalents	—	—	—	314
				<u>40,691</u>
Segment liabilities	509	19	92	620
Bank borrowings	—	—	—	12,169
Deferred tax liabilities	—	—	—	4,187
				<u>16,976</u>
Net assets attributable to unitholders				<u>23,715</u>

**4. Net profit before finance costs, taxation and transactions with unitholders**

	HK\$'M
Net profit before finance costs, taxation and transactions with unitholders is stated after charging:	
Staff costs	64
Depreciation of property, plant and equipment	4
Strategic Partner fee	1
Trustee's remuneration	1
Auditors' remuneration	1
Other legal and professional fees	8

**5. Taxation**

Current taxation has not been provided as the Group has no estimated assessable profit for the period.

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

	HK\$'M
Current taxation	—
Deferred taxation	274
	<u>274</u>

**6. Earnings per unit based upon profit after taxation before transactions with unitholders**

Profit for the period, before transactions with unitholders	HK\$ 1,292 million
Number of units outstanding at the end of the period	<u>2,137,454,000</u>
Earnings per unit based on profit after taxation, before transactions with unitholders, basic and diluted	<u>HK\$0.60</u>

**7. Distributions**

	HK\$'M
Profit after taxation for the six months ended 30 September 2006, attributable to unitholders	1,292
Adjustments:	
Change in fair values of investment properties	(707)
Deferred taxation on change in fair values of investment properties	124
Other non-cash income	(7)
Total Distributable Income for the six months ended 30 September 2006	702
Distributable amount to be paid to unitholders for the period	702
As a percentage of Total Distributable Income	100%
Distribution per unit	<u>32.81 HK cents</u>

At a meeting held on 21 November 2006, the Manager proposed a distribution of 32.81 HK cents per unit. The proposed distribution is not reflected as distribution payable in the condensed consolidated interim financial statements and will be reflected in the consolidated financial statements for the year ending 31 March 2007.

**8. Accounts and other receivables**

Included in accounts and other receivables are rental receivables with their aging analysis as follows:

	30 September 2006 (Unaudited) HK\$'M	31 March 2006 (Audited) HK\$'M
0 — 30 days	16	64
31 — 90 days	6	2
	<u>22</u>	<u>66</u>

Receivables are denominated in Hong Kong dollars and the carrying amounts of these rental receivables approximate their fair values.

A majority of the Group's rental income is received in cash and there is no specific credit terms given to the tenants. The accounts receivable are generally fully covered by the rental deposits from corresponding tenants.

Monthly rental in respect of retail properties are payable in advance by tenants in accordance with the leasing agreements while daily gross receipts from car parks are received from the carpark operators in arrear.

**REVIEW OF FINANCIAL RESULTS**

The interim results of The Link REIT for the six months ended 30 September 2006 have been reviewed by the Audit Committee of the Manager, and approved by the Board of Directors at its meeting on 21 November 2006.

The interim financial statements have also been reviewed by The Link REIT's auditors in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.

**ISSUANCE, REPURCHASE, SALE OR REDEMPTION OF UNITS**

The Link REIT has not issued any new units during the six months ended 30 September 2006.

The Manager and The Link REIT confirmed that they did not, directly or indirectly, purchase, sale or redeem units of The Link REIT during the period under review.

**CORPORATE GOVERNANCE**

The Link REIT as the first real estate investment trust in Hong Kong is committed to maintaining high standards of corporate governance in the interest of its unitholders.

Throughout the six months ended 30 September 2006, the Manager and The Link REIT have complied with the provisions of the Code on Real Estate Investment Trusts published by the Securities and Futures Commission of Hong Kong, the relevant provisions of the Securities and Futures Ordinance, the relevant sections of the Listing Rules applicable to The Link REIT, the Trust Deed and the requirements and procedures laid down in the compliance manual of the Manager adopted for use in relation to the management of The Link REIT.

**CLOSURE OF REGISTER**

The register of unitholders will be closed from 12 to 14 December 2006 (both dates inclusive). To qualify for the distribution, all transfers, accompanied by the relevant unit certificates, must be lodged with The Link REIT's registrar, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 pm on 11 December 2006.

**ISSUANCE OF THE INTERIM REPORT**

The interim report for the six months ended 30 September 2006 will be published and forwarded to unitholders on or before 30 November 2006.

By order of the board of directors of  
**The Link Management Limited**  
 (as manager of The Link Real Estate Investment Trust)  
**CHENG Ming Fun Paul**  
 Chairman

Hong Kong, 21 November 2006

As at the date of this announcement, the board of directors of the Manager is comprised as follows: The Chairman of the Manager (who is also an independent non-executive director) is Mr CHENG Ming Fun Paul. The executive director is Mr SO Hing Woh Victor. The non-executive directors are Mr HO Chi On John, Mr LIEW Mun Leong and Mr PUA Seck Guan. The independent non-executive directors are Mr Michael Ian ARNOLD, Mr CHAO Tse Hou Leslie, Mr CHOW Wing Kin Anthony, Dr FUNG Yuk Bun Patrick, Mr KO Kam Chuen Stanley, Dr LEE Nai Shee Harry, Mr Patrick SUN and Dr Allan ZEMAN.