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The Link Real Estate Investment Trust

*(a collective investment scheme authorised under section 104
of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*
(stock code: 823)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The board of directors (the “**Board**”) of The Link Management Limited (the “**Manager**”), as Manager of The Link Real Estate Investment Trust (“**The Link REIT**”), is pleased to report the unaudited interim results of The Link REIT and its subsidiaries (the “**Group**”) for the six months ended 30 September 2012.

The interim results and the condensed consolidated interim financial information of the Group for the six months ended 30 September 2012, after review by the audit committee of the Manager (“**Audit Committee**”), were approved by the Board on 7 November 2012.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

For the six months under review, the Hong Kong export volume saw further decline as a result of fiscal tightening in Europe and the United States. Meanwhile, domestic consumption remained resilient despite a moderation in growth rate, which was supported by the low unemployment rate, rising wages, and growth in inbound tourism, particularly from the Mainland. Together, this benefited the overall retail leasing activities in Hong Kong.

Total revenue for the six months ended 30 September 2012 increased to HK\$3,197 million (six months ended 30 September 2011: HK\$2,887 million), which represents an increase of 10.7% while total property operating expenses amounted to HK\$941 million (six months ended 30 September 2011: HK\$846 million). Net property income grew 10.5% year-on-year to HK\$2,256 million (six months ended 30 September 2011: HK\$2,041 million) for the six months ended 30 September 2012. Distributable income rose 14.4% for the six months ended 30 September 2012 to HK\$1,624 million (six months ended 30 September 2011: HK\$1,420 million), while interim distribution per unit (“**DPU**”) increased by 12.6% year-on-year to HK71.08 cents (six months ended 30 September 2011: HK63.11 cents).

Our portfolio valuation as at 30 September 2012 increased 9.4% to HK\$83,858 million, compared to 31 March 2012. On the back of value appreciation of investment properties, net asset value per unit also rose 11.1% to HK\$30.82 as at 30 September 2012 (31 March 2012: HK\$27.73).

Revenue Analysis

For the six months under review, total revenue rose 10.7% to HK\$3,197 million (six months ended 30 September 2011: HK\$2,887 million), comprising retail rentals of HK\$2,400 million (six months ended 30 September 2011: HK\$2,162 million), car park rentals of HK\$639 million (six months ended 30 September 2011: HK\$569 million) and other property related revenue of HK\$158 million (six months ended 30 September 2011: HK\$156 million).

	Six months ended 30 September 2012 HK\$'M	Six months ended 30 September 2011 HK\$'M	YoY %	Percentage contribution six months ended 30 September 2012 %
Retail rentals:				
Shops ⁽¹⁾	1,950	1,730	12.7	61.0
Markets/Cooked Food Stalls	317	309	2.6	9.9
Education/Welfare, Office and Ancillary	64	63	1.6	2.0
Mall Merchandising	69	60	15.0	2.2
Car parks rentals:				
Monthly	476	424	12.3	14.9
Hourly	163	145	12.4	5.1
Expenses recovery and other miscellaneous revenue:				
Property related revenue ⁽²⁾	158	156	1.3	4.9
	3,197	2,887	10.7	100.0

Notes:

(1) Rentals from shops include base and turnover rents.

(2) Including other revenue from retail properties of HK\$157 million (six months ended 30 September 2011: HK\$155 million) and car park portfolio of HK\$1 million (six months ended 30 September 2011: HK\$1 million).

Expenses Analysis

Total property operating expenses for the period under review increased 11.2% to HK\$941 million (six months ended 30 September 2011: HK\$846 million). Excluding the reversal of an over provision of car park waiver fees (grouped under “Other property operating expenses”) in the last corresponding period, the increase in total property operating expenses was broadly in line with the prevailing inflation rate in Hong Kong.

On utilities expenses, the impact of an increase in electricity tariff was offset by the decrease in energy consumption through energy savings initiatives which commenced over two years ago including chiller replacement, lighting improvement and installation of building management system to better monitor and control energy usage. Repair and maintenance costs were being kept at a similar level as last year due to our efforts to better plan and control repair and maintenance works across our portfolio. Our efforts to develop more focused promotion events to enhance our shopping centres’ attractiveness have resulted in an increase in promotion and marketing expenses.

	Six months ended 30 September 2012 HK\$'M	Six months ended 30 September 2011 HK\$'M	YoY %
Property managers’ fees, security and cleaning	244	251	(2.8)
Staff costs	156	129	20.9
Government rent and rates	92	87	5.7
Repair and maintenance	103	103	–
Utilities	183	182	0.5
Promotion and marketing expenses	42	39	7.7
Estate common area costs	57	51	11.8
Other property operating expenses	64	4	1,500.0
Total property operating expenses	941	846	11.2

FINANCIAL POSITION

The financial position of The Link REIT remained solid with the total value of investment properties increased to HK\$83,858 million as at 30 September 2012 (31 March 2012: HK\$76,672 million), an increase of 9.4%. Total debt as at the end of the period was HK\$13,056 million (31 March 2012: HK\$12,595 million). Net asset value per unit rose from HK\$27.73 as at 31 March 2012 to HK\$30.82 as at 30 September 2012, an increase of 11.1%, due primarily to the further improvement in portfolio valuation.

Valuation Review

The value of our retail properties increased 8.9% from HK\$65,311 million as at 31 March 2012 to HK\$71,111 million as at 30 September 2012 while the value of the car parks increased from HK\$11,361 million as at 31 March 2012 to HK\$12,747 million as at 30 September 2012.

The principal valuer of The Link REIT, Jones Lang LaSalle Limited, adopted a combination of the discounted cash flow (“DCF”) and income capitalisation approaches to value The Link REIT’s property portfolio. The valuation upsurge was mainly driven by the positive rental performance and adjustments to the capitalisation rates of some properties in our portfolio to reflect the improved quality and rental growth prospects of the relevant properties.

Valuation Approach

	As at 30 September 2012	As at 31 March 2012
Income Capitalisation Approach – Capitalisation Rate		
Retail properties	5.00 – 7.00 %	5.00 – 7.00 %
Retail properties: weighted average	5.62 %	5.87 %
Car parks	5.25 – 8.75 %	5.50 – 9.25 %
Car parks: weighted average	7.21 %	7.62 %
Overall weighted average	5.84 %	6.11 %
DCF Approach		
Discount rate	8.00 %	8.00 %

CAPITAL MANAGEMENT

Debt Portfolio Management

The Link REIT further increased its liquidity by issuing HK\$500 million 15-year unsecured notes at a fixed rate of 3.55% per annum under the Guaranteed Euro Medium Term Note Programme for extending and spreading out debt maturity. As a result, available liquidity has increased to HK\$5.78 billion (31 March 2012: HK\$4.67 billion), comprising HK\$2.72 billion cash and deposits and HK\$3.06 billion committed but undrawn facilities.

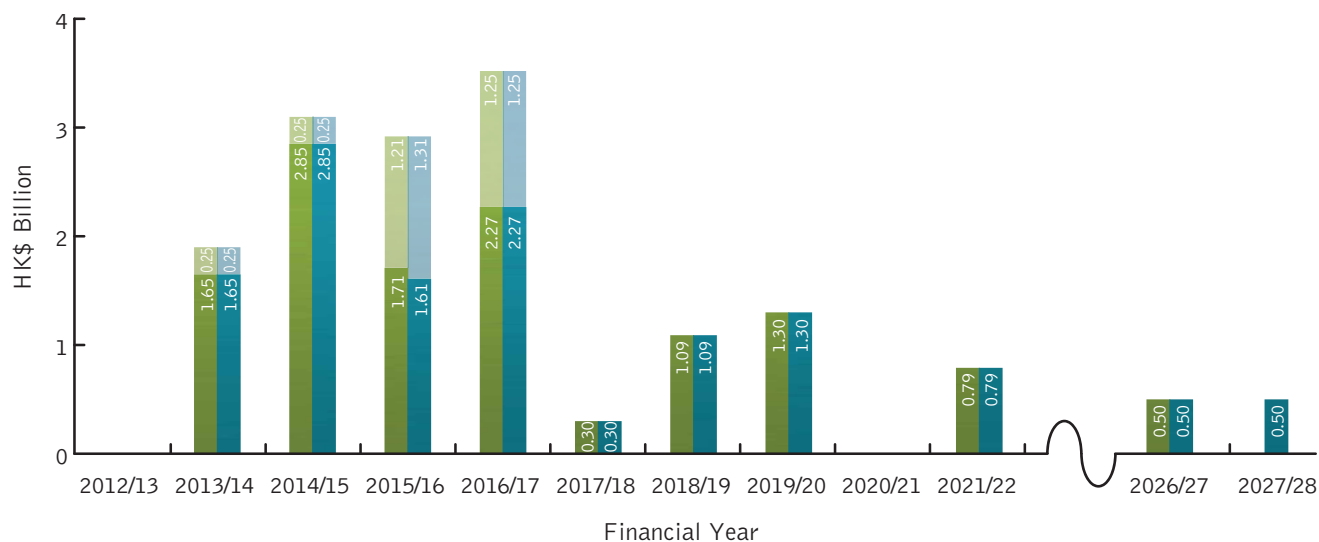
Committed Debt Facilities ⁽¹⁾

As at 30 September 2012 (HK\$ Billion)	Fixed Rate Debt ⁽²⁾	Floating Rate Debt ⁽²⁾	Utilised Facilities	Undrawn Facilities	Total Facilities
HKMC Loan ⁽³⁾	2.75	1.25	4.00	–	4.00
2011 Club Loan	0.70	0.55	1.25	1.25	2.50
Bilateral Loans	0.20	1.91	2.11	1.81	3.92
Medium Term Notes	3.47	2.03	5.50	–	5.50
Total	7.12	5.74	12.86	3.06	15.92
Percentage	55%	45%	81%	19%	100%

Notes:

- (1) All amounts are at face value.
- (2) After interest rate swaps.
- (3) Loan from The Hong Kong Mortgage Corporation Limited (“HKMC”).

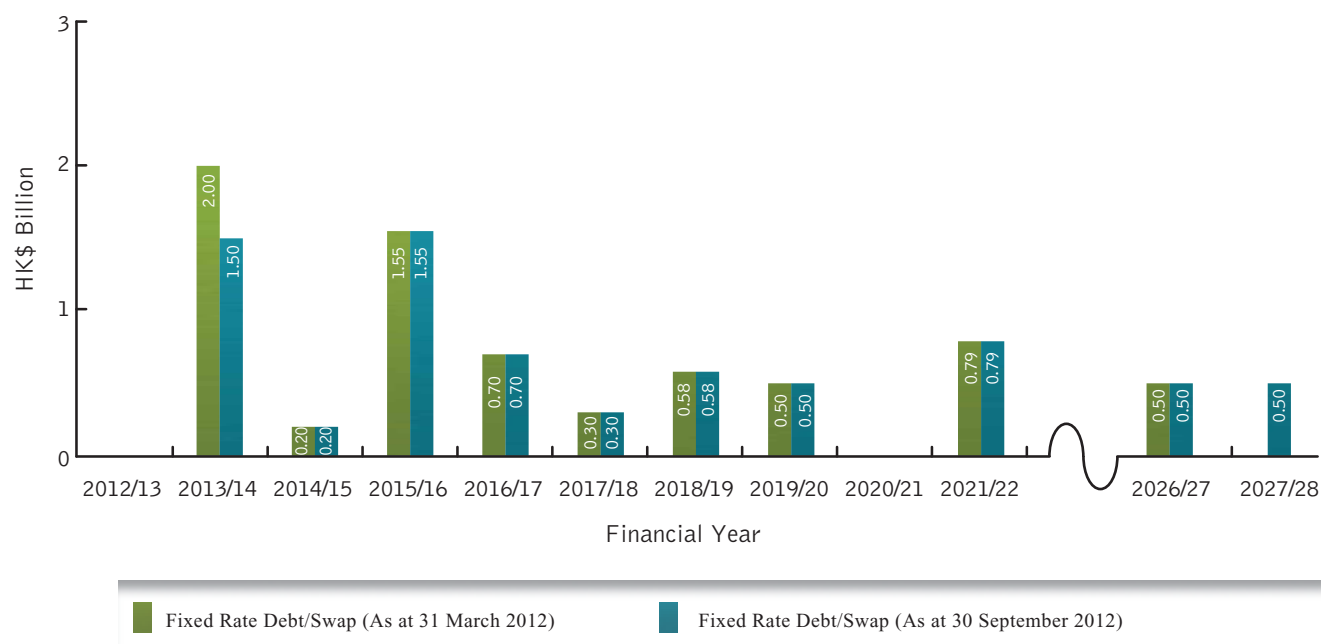
Maturity Profile of Committed Debt Facilities



■ Undrawn Facilities (As at 31 March 2012)
 ■ Undrawn Facilities (As at 30 September 2012)

■ Utilised Facilities (As at 31 March 2012)
 ■ Utilised Facilities (As at 30 September 2012)

Maturity Profile of Fixed Rate Debt/Swap



The overall average interest rate of the debt portfolio, after taking into account interest rate hedging, improved from 3.35% as at 31 March 2012 to 3.22% as at 30 September 2012. At the same time, average outstanding life of the Group's committed debt facilities as at 30 September 2012 was largely maintained at 4.2 years.

Key Performance Indicators

	As at 30 September 2012	As at 31 March 2012
Gearing ⁽¹⁾	14.9%	15.9%
Net Interest Coverage	10.5 times	9.9 times
Average Facilities Maturity	4.2 years	4.3 years
Fixed Rate Debt	55%	57%
Average Life of Fixed Rate Debt/Swap	5.5 years	5.0 years
Effective Interest Rate	3.22%	3.35%

Note:

⁽¹⁾ Total borrowings divided by total assets.

Credit Ratings

The Link REIT's credit ratings were affirmed by Standard and Poor's at A/Stable on 21 June 2012 and by Moody's Investors Service at A2/Stable on 18 September 2012.

BUSINESS REVIEW

RETAIL PORTFOLIO

In the period under review, rental income generated from the retail properties, which accounted for 75.1% of revenue, grew 11.0% year-on-year to HK\$2,400 million (six months ended 30 September 2011: HK\$2,162 million). The solid revenue growth was driven by the successful implementation of our leasing strategy resulting in better trade mix, higher rental rates, improving occupancy rates, and increasing contributions from properties with completed asset enhancement initiatives (“AEIs”).

Category	Occupancy rate		Composite reversion rate		Average monthly unit rent per leased IFA ⁽¹⁾		% of total IFA ⁽²⁾
	As at	As at	Six months ended	Six months ended	As at	As at	As at
	30 September 2012	31 March 2012	30 September 2012	30 September 2011	30 September 2012	31 March 2012	30 September 2012
	%	%	%	%	HK\$ psf	HK\$ psf	%
Shops	95.4	95.2	27.9	22.7	37.5	36.0	81.8
Markets/ Cooked Food Stalls	81.2	81.2	16.6	14.3	67.3	65.2	8.9
Education/Welfare, Office and Ancillary	84.5	84.7	12.0	15.2	6.4	6.2	9.3
Total	93.2	92.9	25.9	21.5	37.2	35.8	100.0

Notes:

⁽¹⁾ IFA means internal floor area.

⁽²⁾ Total excluding self use office.

Portfolio Breakdown

The retail component of the top 10 properties and the properties ranked 11th to 50th by valuation contributed 25.8% and 46.0%, respectively, of the retail revenue of The Link REIT’s portfolio and achieved an average monthly unit rent of HK\$52.7 and HK\$40.1 per square foot (“psf”), respectively, as at 30 September 2012 (31 March 2012: HK\$50.4 and HK\$38.1, respectively).

Retail Portfolio Breakdown

Properties ⁽¹⁾	Retail properties valuation HK\$'M	Retail revenue HK\$'M	Average monthly unit rent per leased IFA HK\$ psf	Occupancy rate %
1-10	19,663	660	52.7	97.7
11-50	32,954	1,175	40.1	93.4
51-100	15,307	592	29.3	91.8
101-153	3,187	130	20.1	88.5
Total	71,111	2,557	37.2	93.2

Note:

⁽¹⁾ Properties ranked by retail valuation as at 30 September 2012.

CAR PARK PORTFOLIO

The car park portfolio contributed about 20.0% of the total revenue for the six months ended 30 September 2012 (six months ended 30 September 2011: 19.7%). During the period, car park revenue grew 12.3% year-on-year to HK\$639 million (six months ended 30 September 2011: HK\$569 million) as a result of the car park rates adjustment effective from May 2012 and continued increase in demand for car parking spaces across our portfolio. The net income margin was 64.5% for the six months under review (six months ended 30 September 2011: 59.8%, excluding the write-back of the waiver fees provision during the period).

Key Car Park Property Performance Indicators

	Six months ended 30 September 2012	Six months ended 30 September 2011
Car park space allocation – monthly (%)	87.0	87.0
Car park space allocation – hourly (%)	13.0	13.0
Gross receipts by monthly users (%)	74.5	74.5
Gross receipts by hourly users (%)	25.5	25.5
Utilisation of car park space (%)	81.1	78.3
Car park income per space per month (HK\$)	1,338	1,193
Net property income margin (%)	64.5	59.8 ⁽¹⁾

Note:

⁽¹⁾ Excluding the write-back of the car park waiver fees provision.

ASSET MANAGEMENT

To enrich the shoppers' choices and enhance the tenant base diversity across our portfolio, the Manager continued to adopt active leasing strategies to attract different categories of retailers to join our portfolio. During the period, we successfully captured a variety of new brands and retailers of various sizes including a number of small tenants. As at 30 September 2012, these small tenants accounted for 60% of the total retail shops in our portfolio.

Meanwhile, we put together thematic fairs and focused promotion campaigns at selected properties to encourage consumers' spending and establish shoppers' loyalty. Results have been promising with the tenants' average monthly retail gross sales psf during the six months ended 30 September 2012 increasing by 11.6% as compared to the corresponding period last year. The key daily necessity trades in our portfolio – *food and beverage* and *supermarket and foodstuff* – recorded a healthy year-on-year growth in gross sales psf of 9.3% and 11.3% respectively, whilst *general retail* increased by 12.2%.

ASSET ENHANCEMENT INITIATIVES

AEIs have been an integral part of The Link REIT's business growth model. The improved shopping environment will bring in more business for our tenants and provide sustainable rental revenue growth from our portfolio. Compared to the rest of the portfolio, selected properties with completed AEIs have continued to outperform the growth in net property income and achieved higher occupancy rates.

During the period under review, enhancement works at Sun Chui Shopping Centre had been completed and produced a satisfactory return on investment of 17.7%, bringing the total number of completed AEIs to 26. Grand opening for Leung King Plaza will be held in November and AEI works of Wah Sum Shopping Centre are scheduled to be completed by end of the year.

We have also commenced enhancement works for four additional properties, namely Choi Wan Commercial Complex, Sha Kok Commercial Centre, Yau Oi Commercial Centre (“**Yau Oi**”), and On Ting Commercial Complex (“**On Ting**”). The Yau Oi and On Ting project, targeting the younger generation, is a comprehensive enhancement project with a new retail concept which will be repositioned as The Link REIT's new flagship shopping centre in the Tuen Mun District.

Approved AEs Underway

	Total estimated project Capex HK\$'M	Target completion date
Leung King Plaza	243	November 2012
Wah Sum Shopping Centre	56	December 2012
Yiu On Shopping Centre	34	December 2012
Oi Man Shopping Centre ⁽²⁾	117	early 2013
Sheung Tak Shopping Centre	86	mid 2013
Chung Fu Plaza (Phase II Project)	166	mid 2013
Choi Wan Commercial Complex ⁽¹⁾	214	late 2013
Sha Kok Commercial Centre ⁽¹⁾⁽²⁾	115	mid 2014
Yau Oi Commercial Centre ⁽¹⁾⁽²⁾ } On Ting Commercial Complex ⁽¹⁾ }	339	late 2014
Total	1,370	

Notes:

⁽¹⁾ New projects commenced since 1 April 2012.

⁽²⁾ AEs include fresh market upgrade.

Status of AEs

	Number of projects	Total project Capex HK\$'M
Completed since initial public offering	26	2,237
Underway	10	1,370
Pending statutory approval	3	328
Others under planning	>11	>900
Total	>50	>4,835

ASSET ACQUISITIONS

The objective and the scope of the investment strategy initially adopted by the Manager for The Link REIT at the time of its initial public offering were limited to sustainable-income producing properties in Hong Kong which are substantially used for retail and car park purposes. In June this year, the Manager proposed to expand The Link REIT's investment strategy to allow it to invest in all classes of sustainable-income producing non-residential properties, including but not limited to, stand-alone assets, and comprehensive mixed-use (predominately retail-based) developments in Hong Kong, but in all cases excluding hotels and serviced apartments. The proposal was approved by unitholders of The Link REIT (the "**Unitholders**") at its annual general meeting held on 25 July 2012.

The Manager believes the expanded investment scope provides The Link REIT with the investment flexibility when seeking expansion opportunities.

SUSTAINABILITY FRAMEWORK

The Manager is committed to maintaining sustainable development as an integral component of its corporate strategy. Building upon the formation of The Link REIT's Sustainability Committee in 2011/12, the Manager is implementing the sustainability strategy and identifying key strategic initiatives and key performance indicators ("**KPIs**") for each of the seven areas of our sustainability framework. These KPIs will help the Manager monitor and track the progress in various sustainable development issues, as well as assisting in prioritising sustainability related policies and practices.

In June 2012, the Manager issued the second annual sustainability report which attained a Global Reporting Initiative Level B+ rating. This is a step up from the previous report, indicating our improved performance and increased transparency. The Manager will continue to follow best global practices for sustainability reporting.

Effective energy management is a key aim for any sustainable company. In line with this, the Manager has engaged in a long term energy strategy for The Link REIT's property portfolio that includes management of energy information, energy consumption and energy systems.

The Chiller Replacement Programme, currently in its third year, reduces the number of chillers used across portfolio and replaces older chillers with newer and more efficient units. In parallel, the Variable Speed Drive ("**VSD**") Programme retrofits relevant equipment with VSD, leading to an estimated additional 20-30% reduction in annual energy consumption. As a best practice, all new equipment installed through the Chiller Replacement Programme will be equipped with VSD. Both programmes are scheduled to be completed by the end of 2014/15.

The Lighting Improvement Programme for car parks, scheduled to be completed in 2012/13, replaces older T8 fluorescent lighting with T5 and traditional exit signs with LED exit signs.

In 2012/13, the Manager launched two new programmes: Building Management System (“BMS”) and Energy Efficiency Audits as part of its energy strategy. BMS allows for better monitoring, optimisation and control of a property’s energy consumption by providing real-time data and diagnostics to a centralised location. The Manager is also preparing Energy Efficiency Audits for The Link REIT’s properties, which will provide detailed understanding of energy consumption profiles and allow the Manager to develop and adopt more target-oriented and strategic energy management programmes. These two new programmes will run in conjunction with the ongoing energy savings initiatives currently in place, and will lead to further reduction in energy consumption and lower greenhouse gas emissions. Both programmes are scheduled to be completed by the end of 2014/15.

In September 2012, The Link REIT became the first Hong Kong real estate investment trust to participate in the United Nations Global Compact⁽¹⁾, a global initiative identifying a set of core business values in the areas of human rights, labour practices, the environment and anti-corruption. As a signatory of the initiative, The Link REIT pledges to support and advance these values in our day-to-day operations.

The Link REIT is also the first Asian real estate investment trust to be a signatory of the United Nations Environment Programme Finance Initiative (“UNEP FI”). In this capacity, the Manager will actively participate in the UNEP FI’s Property Working Group⁽²⁾ and act as a global leader in encouraging property investment and management practices to achieve the best possible environmental, social and financial results.

Notes:

⁽¹⁾ Complete details of the United Nations Global Compact can be found at <http://www.unglobalcompact.org>

⁽²⁾ Details of the UNEP FI’s Property Working Group can be found at http://www.unepfi.org/work_streams/property

STRATEGY AND OUTLOOK

The Manager is committed to positive change for the community through ongoing improvement of the standards of its portfolio in terms of both hardware and software.

Our efforts in leasing strategy have brought in new brands and enhanced product offerings to the shoppers, whilst further resources are deployed to enhance service standards and keep costs under control. The successful execution of our AEI strategy has not only generated satisfactory investment returns but also set us on firm ground for sustainable growth in the longer run. While the Manager continues to believe in the prospects of organic growth of The Link REIT’s existing portfolio, we have reason to see greater growth dimension with the expanded investment scope.

The Manager is committed to enhancing service quality through a wide range of initiatives, including property service monitoring which was made possible by the Mystery Shopper Programme and setting new property service standards under the re-profiled property management service contracts. Despite the persistently high energy costs, rising labour and building material costs, the Manager has decided to continue to freeze the management fee of the portfolio this financial year for the fifth year in a row. The Manager has been reviewing, in particular, the continued labour shortage pressure and the effect of the statutory minimum wage on our operating costs.

The global market conditions remain unclear and could affect the economic fundamentals of Hong Kong in the coming year. The growth of local retail sales might not be able to maintain the same momentum as we saw in the past year. Notwithstanding this, we remain encouraged, albeit cautiously, by the fact that the supply of new retail space is limited. This supports the demand for our retail space. The Manager is confident that the resilient nature of The Link REIT's portfolio will continue to benefit from this growth trend, as has been evidenced by the steady performance of our tenants in the first half of this financial year.

On the back of the positive rental reversion and sustainable growth from completed AEIs, the Manager anticipates the rental growth to continue steadily in the second half of the financial year.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

	<i>Note</i>	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Revenues	4	3,197	2,887
Property operating expenses	6	(941)	(846)
Net property income		<u>2,256</u>	2,041
General and administrative expenses		(104)	(147)
Change in fair values of investment properties		<u>6,787</u>	3,272
Operating profit	7	8,939	5,166
Interest income		22	11
Finance costs on interest bearing liabilities	8	(228)	(197)
Profit before taxation and transactions with Unitholders		8,733	4,980
Taxation	10	(317)	(288)
Profit for the period, before transactions with Unitholders (Note (i))	11	8,416	4,692
Distributions paid to Unitholders (Note (ii))		(1,502)	(1,286)
		<u>6,914</u>	<u>3,406</u>
Represented by:			
Change in net assets attributable to Unitholders, excluding issues of new units		6,970	3,373
Amount arising from cash flow hedging reserve movement	21	(56)	33
		<u>6,914</u>	<u>3,406</u>

Notes:

- (i) Earnings per unit, based upon profit after taxation and before transactions with Unitholders and the weighted average number of units in issue, is set out in Note 11 to the condensed consolidated interim financial information.
- (ii) This represents the final distribution of HK\$1,502 million for the year ended 31 March 2012 (2011: HK\$1,286 million) paid during the period.
- (iii) Total Distributable Income (as defined in the Trust Deed constituting The Link REIT) for the six months ended 30 September 2012 is determined in the consolidated statement of distributions. The interim distribution declared in respect of this financial period as set out in the consolidated statement of distributions will be paid to Unitholders on or around 11 January 2013.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	<i>Note</i>	Before transactions with Unitholders (Unaudited) HK\$'M	Transactions with Unitholders (Note (i)) (Unaudited) HK\$'M	After transactions with Unitholders (Unaudited) HK\$'M
Six months ended 30 September 2012				
Profit for the period		8,416	(8,472)	(56)
Other comprehensive income				
– Cash flow hedging reserve		56	–	56
		<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	<i>(ii)</i>	8,472	(8,472)	–
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Six months ended 30 September 2011				
Profit for the period		4,692	(4,659)	33
Other comprehensive loss				
– Cash flow hedging reserve		(33)	–	(33)
		<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	<i>(ii)</i>	4,659	(4,659)	–
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) Transactions with Unitholders comprise the distributions to Unitholders of HK\$1,502 million (2011: HK\$1,286 million) and change in net assets attributable to Unitholders, excluding issues of new units, of HK\$6,970 million (2011: HK\$3,373 million).
- (ii) In accordance with the Trust Deed, The Link REIT is required to distribute to Unitholders not less than 90% of Total Distributable Income for each financial period. Accordingly, the units contain contractual obligations of the trust to pay cash distributions. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with Hong Kong Accounting Standard 32: Financial Instruments: Presentation. Consistent with Unitholders' funds being classified as a financial liability, the distributions to Unitholders and change in net assets attributable to Unitholders, excluding issues of new units, are finance costs. Accordingly, the total comprehensive income, after the transactions with Unitholders, is zero.

CONSOLIDATED STATEMENT OF DISTRIBUTIONS

For the six months ended 30 September 2012

	<i>Note</i>	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Profit for the period, before transactions with Unitholders		8,416	4,692
Adjustments:			
– Change in fair values of investment properties		(6,787)	(3,272)
– Other non-cash income		(5)	–
Total Distributable Income (Note (i))		<u>1,624</u>	<u>1,420</u>
Interim distribution for the period, to be paid to the Unitholders (Note (ii))		<u>1,624</u>	<u>1,420</u>
As a percentage of Total Distributable Income		<u>100%</u>	<u>100%</u>
Units in issue as at 30 September	20	<u>2,284,402,553</u>	<u>2,249,540,808</u>
Distribution per unit to Unitholders for the period (Note (iii))		<u>HK71.08 cents</u>	<u>HK63.11 cents</u>

Notes:

- (i) Under the terms of the Trust Deed, the Total Distributable Income is the consolidated profit after taxation attributable to Unitholders (equivalent to profit for the period, before transactions with Unitholders) adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the condensed consolidated income statement for the relevant period.
- (ii) Pursuant to the Trust Deed, The Link REIT is required to ensure that the total amount distributed to Unitholders as distributions for each financial period shall be no less than 90% of Total Distributable Income, plus at its discretion, any other additional amount that the Manager determines is distributable. The Manager has decided to distribute 100% (2011: 100%) of Total Distributable Income as the distribution for the six months ended 30 September 2012. The interim distribution will be paid to Unitholders on or around 11 January 2013.
- (iii) The interim distribution per unit of HK71.08 cents for the six months ended 30 September 2012 is calculated based on the interim distribution of HK\$1,624 million for the period and 2,284,402,553 units in issue as at 30 September 2012. The interim distribution per unit of HK63.11 cents for the six months ended 30 September 2011 was calculated based on the interim distribution of HK\$1,420 million for the period and 2,249,540,808 units in issue as at 30 September 2011.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	<i>Note</i>	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
Non-current assets			
Goodwill		331	331
Investment properties	12	83,858	76,672
Property, plant and equipment	13	70	76
Derivative financial instruments	19	197	191
		<u>84,456</u>	<u>77,270</u>
Current assets			
Trade and other receivables	14	192	188
Deposits and prepayments		51	55
Derivative financial instruments	19	52	–
Short-term bank deposits	15	2,600	1,562
Cash and cash equivalents	15	118	150
		<u>3,013</u>	<u>1,955</u>
Total assets		<u>87,469</u>	<u>79,225</u>
Current liabilities			
Trade payables, receipts in advance and accruals	16	1,016	1,118
Security deposits		948	897
Provision for taxation		322	179
Current portion of long-term incentive plan provision	17	54	51
Interest bearing liabilities	18	1,701	–
Derivative financial instruments	19	52	–
		<u>4,093</u>	<u>2,245</u>
Net current liabilities		<u>1,080</u>	<u>290</u>
Total assets less current liabilities		<u>83,376</u>	<u>76,980</u>
Non-current liabilities, excluding net assets attributable to Unitholders			
Long-term incentive plan provision	17	22	35
Interest bearing liabilities	18	11,355	12,595
Derivative financial instruments	19	221	329
Deferred tax liabilities		1,384	1,286
		<u>12,982</u>	<u>14,245</u>
Total liabilities, excluding net assets attributable to Unitholders		<u>17,075</u>	<u>16,490</u>
Net assets attributable to Unitholders		<u>70,394</u>	<u>62,735</u>
Units in issue	20	<u>2,284,402,553</u>	<u>2,262,372,930</u>
Net assets per unit attributable to Unitholders		<u>HK\$30.82</u>	<u>HK\$27.73</u>

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

For the six months ended 30 September 2012

	<i>Note</i>	Total equity (Unaudited) HK\$'M	Net assets attributable to Unitholders (Unaudited) HK\$'M	Total (Unaudited) HK\$'M
Net assets attributable to Unitholders at 1 April 2012		–	62,735	62,735
Issuance of units				
– under distribution reinvestment scheme		–	629	629
– under long-term incentive plan		–	60	60
Profit for the period ended 30 September 2012, before transactions with Unitholders		–	8,416	8,416
Distributions paid to Unitholders – 2012 final distribution		–	(1,502)	(1,502)
Change in fair values of cash flow hedges	21	(34)	–	(34)
Amount transferred to the condensed consolidated income statement	21	90	–	90
Amount arising from cash flow hedging reserve movement	21	(56)	56	–
Change in net assets attributable to Unitholders for the period ended 30 September 2012, excluding issues of new units		–	6,970	6,970
Net assets attributable to Unitholders at 30 September 2012		–	70,394	70,394
Net assets attributable to Unitholders at 1 April 2011		–	54,975	54,975
Issuance of units				
– under distribution reinvestment scheme		–	420	420
– under long-term incentive plan		–	39	39
Profit for the period ended 30 September 2011, before transactions with Unitholders		–	4,692	4,692
Distributions paid to Unitholders – 2011 final distribution		–	(1,286)	(1,286)
Change in fair values of cash flow hedges		(139)	–	(139)
Amount transferred to the condensed consolidated income statement		106	–	106
Amount arising from cash flow hedging reserve movement		33	(33)	–
Change in net assets attributable to Unitholders for the period ended 30 September 2011, excluding issues of new units		–	3,373	3,373
Net assets attributable to Unitholders at 30 September 2011		–	58,807	58,807

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2012*

	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Operating activities		
Net cash generated from operating activities	2,115	1,849
Investing activities		
Acquisition of Nan Fung Plaza	–	(1,170)
Additions to investment properties	(407)	(406)
Additions to property, plant and equipment	(12)	(10)
Interest income received	22	9
Increase in short-term bank deposits with original maturity of more than three months	(1,038)	(906)
Net cash used in investing activities	(1,435)	(2,483)
Financing activities		
Proceeds from interest bearing liabilities, net of transaction costs	4,127	6,597
Repayment of interest bearing liabilities	(3,730)	(4,520)
Interest expenses paid on interest bearing liabilities	(236)	(201)
Distributions paid to Unitholders	(873)	(866)
Net cash (used in)/generated from financing activities	(712)	1,010
Net (decrease)/increase in cash and cash equivalents	(32)	376
Cash and cash equivalents at 1 April	150	699
Cash and cash equivalents at 30 September	118	1,075

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Corporate information

The Link Real Estate Investment Trust is a collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Link REIT is governed by a trust deed entered into on 6 September 2005 (as amended and supplemented by the First Supplemental Deed dated 4 November 2005, the Second Supplemental Deed dated 8 November 2005, the Third Supplemental Deed dated 16 January 2006, the Fourth Supplemental Deed dated 21 November 2006, the Fifth Supplemental Deed dated 13 July 2007, the Sixth Supplemental Deed dated 23 July 2007, the Seventh Supplemental Deed dated 5 October 2009, the Eighth Supplemental Deed dated 23 July 2010 and the Ninth Supplemental Deed dated 25 July 2012) (together the “**Trust Deed**”).

The principal activity of The Link REIT and its subsidiaries is investment in non-residential (excluding hotels and serviced apartments) properties and car park operations in Hong Kong. The addresses of the registered offices of the Manager, The Link Management Limited, and the trustee of The Link REIT, HSBC Institutional Trust Services (Asia) Limited, are 33/F., AXA Tower, Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong and 1 Queen’s Road Central, Hong Kong, respectively.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2012 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The condensed consolidated interim financial information should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2012.

As at 30 September 2012, the Group’s current liabilities exceeded its current assets by HK\$1,080 million (31 March 2012: HK\$290 million). Taking into account the unutilised committed bank loan facilities of HK\$3,060 million, the Group considers that its liquidity and financial position as a whole is healthy and it has a reasonable expectation that the Group has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the condensed consolidated interim financial information.

3 Accounting policies

The accounting policies adopted are consistent with those set out in the audited consolidated financial statements for the year ended 31 March 2012, except for the adoption of the following amendments issued by the HKICPA which became effective for the six months ended 30 September 2012.

HKFRS 1 Amendments	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Disclosures – Transfers of Financial Assets

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

3 Accounting policies (continued)

The following new standards, amendments and interpretations, which have been published but are not yet effective, have not been early adopted in the condensed consolidated interim financial information. These are effective for the Group's accounting periods beginning on or after 1 April 2013.

HKAS 1 (Revised) Amendment	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities ³
HKFRS 1 Amendments	Government Loans ²
HKFRS 7 Amendments	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 Amendments	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance ²
HKFRS 13	Fair Value Measurement ²
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²
Annual Improvements to HKFRSs 2009 – 2011 Cycle ²	

¹ effective for accounting periods beginning on or after 1 July 2012

² effective for accounting periods beginning on or after 1 January 2013

³ effective for accounting periods beginning on or after 1 January 2014

⁴ effective for accounting periods beginning on or after 1 January 2015

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

4 Revenues

Revenues recognised during the period comprise:

	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Rentals from retail properties	2,400	2,162
Gross rentals from car parks	639	569
	<u>3,039</u>	<u>2,731</u>
Other revenues		
– Air conditioning service fees	149	143
– Other property related revenue	9	13
	<u>158</u>	<u>156</u>
Total revenues	3,197	2,887
	<u>3,197</u>	<u>2,887</u>

Leases with tenants provide for monthly base rent and recovery of certain outgoings. Additional rents based on business turnover amounted to HK\$58 million (2011: HK\$56 million) and had been included in the rental income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

5 Segment information

	Retail properties HK\$'M	Car parks HK\$'M	Head office HK\$'M	Total HK\$'M
For the six months ended				
30 September 2012 (Unaudited)				
Revenues	<u>2,557</u>	<u>640</u>	<u>–</u>	<u>3,197</u>
Segment results	1,843	413	(104)	2,152
Change in fair values of investment properties	5,429	1,358	–	6,787
Interest income				22
Finance costs on interest bearing liabilities				(228)
Profit before taxation and transactions with Unitholders				8,733
Taxation				(317)
Profit for the period, before transactions with Unitholders				<u>8,416</u>
Capital expenditure	371	28	10	409
Depreciation	<u>–</u>	<u>–</u>	<u>(14)</u>	<u>(14)</u>
As at 30 September 2012 (Unaudited)				
Segment assets	71,260	12,796	115	84,171
Goodwill				331
Derivative financial instruments				249
Short-term bank deposits				2,600
Cash and cash equivalents				118
Total assets				<u>87,469</u>
Segment liabilities	1,593	132	239	1,964
Provision for taxation				322
Long-term incentive plan provision				76
Interest bearing liabilities				13,056
Derivative financial instruments				273
Deferred tax liabilities				1,384
Total liabilities, excluding net assets attributable to Unitholders				<u>17,075</u>
Net assets attributable to Unitholders				<u>70,394</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

5 Segment information (continued)

	Retail properties HK\$'M	Car parks HK\$'M	Head office HK\$'M	Total HK\$'M
For the six months ended 30 September 2011 (Unaudited)				
Revenues	<u>2,317</u>	<u>570</u>	<u>–</u>	<u>2,887</u>
Segment results	1,642	399	(147)	1,894
Change in fair values of investment properties	2,577	695	–	3,272
Interest income				11
Finance costs on interest bearing liabilities				(197)
Profit before taxation and transactions with Unitholders				4,980
Taxation				(288)
Profit for the period, before transactions with Unitholders				<u>4,692</u>
Capital expenditure	1,486	20	10	1,516
Depreciation	<u>–</u>	<u>–</u>	<u>(13)</u>	<u>(13)</u>
As at 31 March 2012 (Audited)				
Segment assets	65,456	11,410	125	76,991
Goodwill				331
Derivative financial instruments				191
Short-term bank deposits				1,562
Cash and cash equivalents				150
Total assets				<u>79,225</u>
Segment liabilities	1,590	136	289	2,015
Provision for taxation				179
Long-term incentive plan provision				86
Interest bearing liabilities				12,595
Derivative financial instruments				329
Deferred tax liabilities				1,286
Total liabilities, excluding net assets attributable to Unitholders				<u>16,490</u>
Net assets attributable to Unitholders				<u>62,735</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

6 Property operating expenses

	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Property managers' fees, security and cleaning	244	251
Staff costs (<i>Note 9</i>)	156	129
Government rent and rates	92	87
Repair and maintenance	103	103
Utilities	183	182
Promotion and marketing expenses	42	39
Estate common area costs	57	51
Other property operating expenses	64	4
	<u>941</u>	<u>846</u>

7 Operating profit

	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Operating profit for the period is stated after charging:		
Staff costs (<i>Note 9</i>)	233	188
Depreciation of property, plant and equipment	14	13
Loss on disposal of property, plant and equipment	2	–
Trustee's fee	3	3
Valuation fee	1	1
Auditor's remuneration	1	2
Bank charges	2	2
Operating lease charges	8	6
Other legal and professional fees	8	4
Commission to property agents	–	12
	<u>–</u>	<u>12</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

8 Finance costs on interest bearing liabilities

	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Interest expenses on interest bearing liabilities wholly repayable within five years	103	66
Interest expenses on interest bearing liabilities wholly repayable beyond five years	72	51
Other borrowing costs (<i>Note (i)</i>)	64	93
	<u>239</u>	<u>210</u>
Less: capitalised under investment properties (<i>Note (ii)</i>)	(11)	(13)
	<u>228</u>	<u>197</u>

Notes:

- (i) Other borrowing costs include HK\$90 million (2011: HK\$106 million) net losses on interest rate swap contracts designated as cash flow hedges, HK\$33 million (2011: HK\$22 million) net gains on interest rate swap contracts and cross currency swap contracts designated as fair value hedges and various banking and financing charges.
- (ii) Interest expenses have been capitalised under investment properties at an average interest rate of 3.57% (2011: 3.57%) per annum.

9 Staff costs

	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Wages and salaries	196	183
Contributions to mandatory provident fund scheme	5	4
Long-term incentive plan awards (<i>Note 17</i>)	56	23
	<u>257</u>	<u>210</u>
Less: capitalised under investment properties	(24)	(22)
	<u>233</u>	<u>188</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

9 Staff costs (continued)

Staff costs can be further analysed as below:

	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Included under property operating expenses (<i>Note 6</i>)	156	129
Included under general and administrative expenses	77	59
	233	188

10 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period.

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

	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Current taxation	219	195
Deferred taxation – Accelerated depreciation allowances	98	93
Taxation	317	288

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

	Six months ended 30 September 2012 (Unaudited)	Six months ended 30 September 2011 (Unaudited)
Profit after taxation and before transactions with Unitholders	HK\$8,416 million	HK\$4,692 million
Weighted average number of units for the period for calculating basic earnings per unit	2,269,869,817	2,238,682,214
Adjustment for dilutive contingently issuable units under long-term incentive plan	2,527,006	1,921,518
Weighted average number of units for the period for calculating diluted earnings per unit	2,272,396,823	2,240,603,732
Basic earnings per unit based upon profit after taxation and before transactions with Unitholders	HK\$3.71	HK\$2.10
Diluted earnings per unit based upon profit after taxation and before transactions with Unitholders	HK\$3.70	HK\$2.09

12 Investment properties

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

	Retail properties (Unaudited) HK\$'M	Car parks (Unaudited) HK\$'M	Total (Unaudited) HK\$'M
At 1 April 2012	65,311	11,361	76,672
Additions	371	28	399
Change in fair values	5,429	1,358	6,787
At 30 September 2012	71,111	12,747	83,858

(b) Government leases

The properties included as investment properties on the condensed consolidated statement of financial position comprise properties where the Group has legal title under government leases for a fixed number of years (with renewal rights in one case). As at 30 September 2012, the remaining lease periods range from 31 to 48 years (31 March 2012: 31 to 48 years).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

12 Investment properties (continued)

(c) Fair values

The investment properties were revalued on an open market value basis as at 31 March and 30 September 2012 by Jones Lang LaSalle Limited, an independent firm of professional qualified valuers and the principal valuer of The Link REIT.

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

The Link REIT acquired the commercial portion of Nan Fung Plaza and the commercial accommodation of Maritime Bay on 11 July 2011 and 16 January 2012, respectively. In accordance with the REIT Code, The Link REIT is prohibited from disposing of its property for at least two years from the time such property is acquired, unless the Unitholders have passed a special resolution consenting to the proposed disposal.

(e) Security for the Group’s loan facilities

As at 30 September 2012, certain of the Group’s investment properties, amounting to approximately HK\$8.2 billion (31 March 2012: HK\$7.6 billion), were pledged to secure the loan from HKMC. No property was pledged to secure any bank loan or medium term note.

13 Property, plant and equipment

	Leasehold improvements (Unaudited) HK\$’M	Motor vehicles (Unaudited) HK\$’M	Equipment (Unaudited) HK\$’M	Total (Unaudited) HK\$’M
At 1 April 2012	25	3	48	76
Additions	8	–	2	10
Disposals	(2)	–	–	(2)
Depreciation charge for the period	(8)	(1)	(5)	(14)
At 30 September 2012	23	2	45	70
At 30 September 2012				
Cost	68	5	103	176
Accumulated depreciation	(45)	(3)	(58)	(106)
Net book value	23	2	45	70

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

14 Trade and other receivables

	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
Trade receivables	60	55
Less: provision for impairment of trade receivables	(2)	(2)
	<hr/>	<hr/>
Trade receivables – net	58	53
Other receivables	134	135
	<hr/>	<hr/>
	192	188
	<hr/> <hr/>	<hr/> <hr/>

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

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

The ageing analysis of trade receivables is as follows:

	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
0 – 30 days	55	51
31 – 90 days	2	2
Over 90 days	3	2
	<hr/>	<hr/>
	60	55
	<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

15 Cash and cash equivalents and short-term bank deposits

	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
Cash in hand	1	1
Cash at bank	95	38
Short-term bank deposits with original maturity of less than three months	22	111
	<hr/>	<hr/>
Cash and cash equivalents	118	150
Short-term bank deposits with original maturity of more than three months	2,600	1,562
	<hr/>	<hr/>
	2,718	1,712
	<hr/> <hr/>	<hr/> <hr/>

16 Trade payables, receipts in advance and accruals

	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
Trade payables	64	74
Receipts in advance	111	127
Accruals	841	917
	<hr/>	<hr/>
	1,016	1,118
	<hr/> <hr/>	<hr/> <hr/>

Payables are denominated in Hong Kong Dollars and the carrying amounts of these payables approximate their fair values.

The ageing analysis of trade payables is as follows:

	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
0 – 30 days	40	38
31 – 90 days	23	34
Over 90 days	1	2
	<hr/>	<hr/>
	64	74
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

17 Long-term incentive plan provision

	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
Long-term incentive plan provision	76	86
Less: current portion of long-term incentive plan provision	<u>(54)</u>	<u>(51)</u>
Non-current portion of long-term incentive plan provision	<u><u>22</u></u>	<u><u>35</u></u>

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

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

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

During the period, certain directors and employees of the Manager were granted the RUA and CCA at nil monetary consideration. The RUA granted under the Plan, in general, will vest approximately two to three years from the date of grant.

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

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

During the period, the Group issued 1,834,701 units (2011: 1,428,778 units) for RUAs vested in accordance with the vesting conditions under the Plan.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

17 Long-term incentive plan provision (continued)

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

Date of grant	Vesting period	Outstanding as at 1 April 2012	Granted during the period	Vested during the period ⁽ⁱ⁾	Lapsed during the period	Outstanding as at 30 September 2012	Maximum to be issued on vesting date ⁽ⁱⁱ⁾
5 May 2008	5 May 2008 to 4 May 2012	117,150	–	(117,150) ⁽ⁱⁱⁱ⁾	–	–	–
24 September 2009	24 September 2009 to 30 June 2012	295,997	–	(295,997) ⁽ⁱⁱⁱ⁾	–	–	–
12 November 2010	12 November 2010 to 30 June 2012	555,996	–	(548,496) ⁽ⁱⁱⁱ⁾	(7,500)	–	–
	12 November 2010 to 30 June 2013	554,290	–	–	(17,500)	536,790	1,073,580
23 September 2011	23 September 2011 to 30 June 2013	587,500	–	–	(13,000)	574,500	1,149,000
	23 September 2011 to 30 June 2014	587,500	–	–	(13,000)	574,500	1,149,000
16 July 2012	16 July 2012 to 30 June 2014	–	563,000	–	–	563,000	1,126,000
	16 July 2012 to 30 June 2015	–	563,000	–	–	563,000	1,126,000
Subtotal		2,698,433	1,126,000	(961,643)	(51,000)	2,811,790	5,623,580
Additional units vested over 100% of the RUA granted		–	–	(873,058) ⁽ⁱⁱⁱ⁾	–	–	–
Total		2,698,433	1,126,000	(1,834,701)	(51,000)	2,811,790	5,623,580

Notes:

(i) RUA vesting percentages during the period ranged from 124% to 200%.

(ii) If certain vesting conditions are met.

(iii) Additional units over 100% of the RUA granted were vested pursuant to the relevant vesting conditions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

18 Interest bearing liabilities

	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
Bank borrowings	3,402	3,491
HKMC loan (secured)	4,000	4,000
Medium term notes	5,654	5,104
	<u>13,056</u>	<u>12,595</u>
Less: current portion of interest bearing liabilities	(1,701)	–
Non-current portion of interest bearing liabilities	<u>11,355</u>	<u>12,595</u>

Interest bearing liabilities are repayable as follows:

	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
Due in the first year		
Bank borrowings	701	–
HKMC loan (secured)	1,000	–
	<u>1,701</u>	<u>–</u>
Due in the second year		
Bank borrowings	–	694
HKMC loan (secured)	2,000	1,000
	<u>2,000</u>	<u>1,694</u>
Due in the third year		
Bank borrowings	1,464	854
HKMC loan (secured)	1,000	2,000
	<u>2,464</u>	<u>2,854</u>
Due in the fourth year		
Bank borrowings	1,237	708
HKMC loan (secured)	–	1,000
Medium term notes	200	–
	<u>1,437</u>	<u>1,708</u>
Due in the fifth year		
Bank borrowings	–	1,235
Medium term notes	1,116	1,011
	<u>1,116</u>	<u>2,246</u>
Due beyond the fifth year		
Medium term notes	4,338	4,093
	<u>4,338</u>	<u>4,093</u>
	<u>13,056</u>	<u>12,595</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

18 Interest bearing liabilities (continued)

Notes:

- (i) Except for a bank loan of HK\$451 million (31 March 2012: HK\$445 million) which is denominated in New Zealand Dollars, a bank loan of HK\$309 million (31 March 2012: HK\$308 million) and medium term notes of HK\$200 million (31 March 2012: HK\$200 million) which are denominated in Australian Dollars, all the other interest bearing liabilities are denominated in Hong Kong Dollars.
- (ii) The effective interest rate of the interest bearing liabilities (taking into account interest rate swap contracts and cross currency swap contracts) at the reporting date was 3.22% (31 March 2012: 3.35%). The carrying amounts of the interest bearing liabilities approximate their fair values.

19 Derivative financial instruments

	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
Derivative assets		
Current item		
Designated as fair value hedge – cross currency swap contract	52	–
Non-current item		
Designated as fair value hedge		
– interest rate swap contracts	188	137
– cross currency swap contracts	9	54
	<u>197</u>	<u>191</u>
	249	191
Derivative liabilities		
Current item		
Designated as cash flow hedge – interest rate swap contracts	(52)	–
Non-current item		
Designated as cash flow hedge – interest rate swap contracts	(214)	(322)
Designated as fair value hedge – cross currency swap contract	(7)	(7)
	<u>(221)</u>	<u>(329)</u>
	(273)	(329)
	<u>(24)</u>	<u>(138)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

19 Derivative financial instruments (continued)

Notes:

- (i) The Group uses interest rate swap contracts and cross currency swap contracts (swapping from foreign currencies to Hong Kong Dollars) to minimise its exposure to movements in interest rates and foreign currency exchange rates in relation to its interest bearing liabilities. The fair values of these interest rate swap contracts and cross currency swap contracts are classified as non-current items should the remaining maturities of the hedged items extend for more than 12 months. Any change in fair values of the effective portion of the cash flow hedges in relation to interest rate swap contracts is recognised in the hedging reserve. Any change in fair values of the fair value hedges in relation to interest rate swap contracts and any change in fair values of cross currency swap contracts are recognised directly in the condensed consolidated income statement. A net amount of HK\$56 million has been credited (2011: HK\$33 million had been debited) to the hedging reserve during the period as further set out in Note 21.
- (ii) As at 30 September 2012, the derivative financial instruments qualifying as cash flow hedges have, in effect, provided the Group with an average fixed interest rate period of 2.4 years on HK\$3.65 billion borrowings (31 March 2012: 2.7 years on HK\$4.15 billion borrowings) from the reporting date. The notional principal amount and the weighted average fixed interest rate of the outstanding floating rates to fixed rates interest rate swap contracts as at 30 September 2012 were HK\$3.65 billion (31 March 2012: HK\$4.15 billion) and 3.82% (31 March 2012: 3.88%) respectively.
- (iii) As at 30 September 2012, the derivative financial instruments qualifying as fair value hedges have, in effect, converted part of the Group's borrowings into Hong Kong Dollars floating rates interest bearing liabilities. The notional principal amounts of the outstanding interest rate swap contracts and cross currency swap contracts qualifying as fair value hedges as at 30 September 2012 were HK\$1.82 billion (31 March 2012: HK\$1.82 billion) and HK\$907 million (31 March 2012: HK\$907 million) respectively.
- (iv) Gains and losses on interest rate swap contracts recognised in the hedging reserve (Note 21) as at 30 September 2012 will be released to the condensed consolidated income statement.

20 Units in issue

	Number of units
At 1 April 2012	2,262,372,930
Units issued under distribution reinvestment scheme	20,194,922
Units issued under long-term incentive plan	1,834,701
	<hr/>
At 30 September 2012	2,284,402,553
	<hr/> <hr/>

Closing price of the units as at 30 September 2012 was HK\$36.75 (31 March 2012: HK\$28.90) per unit. Based on 2,284,402,553 units in issue as at 30 September 2012 (31 March 2012: 2,262,372,930 units), market capitalisation was HK\$83,952 million (31 March 2012: HK\$65,383 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

21 Reserves

	Hedging reserve (Unaudited) HK\$'M	Earnings retained for cash flow hedge adjustments (Unaudited) HK\$'M	Total reserves (Unaudited) HK\$'M
At 1 April 2012	(322)	322	–
Cash flow hedges:			
– Change in fair values	(34)	–	(34)
– Amount transferred to the condensed consolidated income statement (<i>Note</i>)	90	–	90
	56	–	56
Net assets attributable to Unitholders:			
– Amount arising from cash flow hedging reserve movement	–	(56)	(56)
At 30 September 2012	(266)	266	–

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

22 Capital commitments

	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
Improvement projects to existing investment properties		
Authorised but not contracted for	660	932
Contracted but not provided for	800	427
	1,460	1,359

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

23 Connected party transactions and significant related party transactions and balances

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

(a) Nature of relationship with connected/related parties

The table set forth below summarises the names of the connected/related parties, as defined in the REIT Code/HKAS 24 (Revised) “Related Party Disclosures”, and nature of their relationship with the Group as at 30 September 2012:

Connected/related party	Relationship with the Group
HSBC Institutional Trust Services (Asia) Limited (the “ Trustee ”) *	The Trustee of The Link REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (excluding the Trustee and its proprietary subsidiaries) (the “ HSBC Group ”) *	Associates # of the Trustee
Jones Lang LaSalle Limited (the “ Principal Valuer ”)	The Principal Valuer of The Link REIT
Wing Hang Bank, Limited (“ Wing Hang Bank ”) *	Director in common
Industrial and Commercial Bank of China (Asia) Limited (“ ICBC (Asia) ”)	Director in common
Aedas Limited and its subsidiaries (the “ Aedas Group ”) *	Associates # of director
Foundation for the Arts and Music in Asia Limited	Associate # of director

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

“Associate” has the meaning ascribed to it under the REIT Code.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

23 Connected party transactions and significant related party transactions and balances (continued)

(b) Transactions with connected/related parties

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

	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Trustee fee paid and payable to the Trustee <i>(Note (ii))</i>	(3)	(3)
Valuation fee paid and payable to the Principal Valuer <i>(Note (iii))</i>	(1)	(1)
Transactions with the HSBC Group <i>(Note (iii))</i>		
Interest expense and various financing charges to the HSBC Group on interest bearing liabilities and interest rate swap contracts	(48)	(41)
Rental income from the HSBC Group on leasing of retail units	11	10
Transactions with ICBC (Asia) <i>(Note (iii))</i>		
Rental income from ICBC (Asia) on leasing of retail units	3	3
Interest income from ICBC (Asia) on short-term bank deposits	1	2
Transactions with Wing Hang Bank <i>(Note (iii))</i>		
Interest income from Wing Hang Bank on short-term bank deposits	2	–
Architectural/renovation consultancy services fees paid and payable to the Aedas Group <i>(Note (iii))</i>	(2)	(2)

Notes:

- (i) All connected party transactions were carried out in accordance with the terms of the relevant agreements governing the transactions and in the ordinary course of business.
- (ii) The Trustee is entitled to receive an annual trustee's fee (calculated and paid monthly) at a rate of 0.008% per annum of the latest property value as determined in the latest annual valuation report of an independent property valuer recommended by the Manager and appointed by the Trustee for and on behalf of The Link REIT from time to time, subject to a minimum of HK\$150,000 per month.
- (iii) The transactions were entered into at arm's length on normal commercial terms.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

23 Connected party transactions and significant related party transactions and balances (continued)

(c) Balances with related parties

Balances with related parties are set out below:

	30 September 2012 (Unaudited) HK\$'M	31 March 2012 (Audited) HK\$'M
Interest bearing liabilities with the HSBC Group	(400)	(400)
Net interest rate swap contracts with the HSBC Group	(31)	(80)
Security deposits from the HSBC Group	(2)	(1)
Net interest payable to the HSBC Group	(3)	(5)
Short-term bank deposits and savings placed with the HSBC Group	240	30
Short-term bank deposits placed with Wing Hang Bank	295	234
Interest receivable from Wing Hang Bank	1	1
	<u> </u>	<u> </u>

(d) Key management compensation

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

	Six months ended 30 September 2012 (Unaudited) HK\$'M	Six months ended 30 September 2011 (Unaudited) HK\$'M
Fees	4	4
Basic salaries, allowances and other benefits	26	23
Long-term incentive plan awards	32	14
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

24 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information was authorised for issue by the Board on 7 November 2012.

HUMAN RESOURCES

The Manager's remuneration policy is to provide an equitable, motivating and competitive remuneration package in order to attract, motivate and retain high performing staff. The remuneration policies and practices will be reviewed regularly with the assistance of independent consultants in order to keep in line with market trends and practices. All full-time and permanent staff are eligible for a discretionary bonus, the payment of which is based on both individual performance and the overall performance of The Link REIT. Staff benefits include, amongst others, contribution to mandatory provident fund, annual leave, sick leave, maternity/paternity leave, medical insurance, life and personal accident insurance, and industry-specific club/professional association memberships. As at 30 September 2012, the Manager had 840 (31 March 2012: 833) staff.

To recognise the loyalty of staff and strengthen their sense of ownership in The Link REIT, the Manager has introduced the Employee Unit Purchase Plan ("EUPP"). Eligible staff who meet the prescribed criteria and choose to enrol in the EUPP may purchase The Link REIT's units through an independent third party intermediary in the market. These purchases will be subsidised by top-up amounts from the Manager with reference to the length of service and performance ranking of the staff.

AWARDS

In the period under review, the Manager received a number of key awards.

	Date
FinanceAsia – 12th annual poll of Asia's Best Companies 2012	May 2012
<ul style="list-style-type: none">• Most Committed to a Strong Dividend Policy (First)• Best Managed Company (Second)• Best CEO (Second)• Best Investor Relations (Second)• Best Corporate Social Responsibility (Third)• Best Corporate Governance (Fourth)	
Bronze Award, Hong Kong Management Association Quality Award	July 2012

APPRECIATION

The Board would like to take this opportunity to express appreciation to all our management and staff whose professionalism and dedication have contributed to the continuous growth of The Link REIT.

REVIEW BY AUDIT COMMITTEE AND AUDITOR

The interim results and the condensed consolidated interim financial information of the Group for the six months ended 30 September 2012 have been reviewed by the Audit Committee. The interim financial information has also been reviewed by The Link REIT's auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2012, the Manager and The Link REIT complied with the REIT Code, the Securities and Futures Ordinance, (wherever applicable) the provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Trust Deed constituting The Link REIT and the corporate governance policy contained in the compliance manual of the Manager. The Manager and The Link REIT also applied the principles and complied with, to the extent appropriate, the code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the period.

The authorisation structure of The Link REIT and the corporate governance policy and practices for the six months ended 30 September 2012 were in line with those adopted for the financial year ended 31 March 2012 (as disclosed in the corporate governance report in annual report 2012). Further details will be set out in The Link REIT's interim report 2012/2013.

PURCHASE, SALE OR REDEMPTION OF THE LINK REIT'S LISTED UNITS

During the six months ended 30 September 2012, neither the Manager nor any of The Link REIT's subsidiaries purchased, sold or redeemed any of The Link REIT's listed units.

ISSUE OF NEW UNITS

During the six months ended 30 September 2012, 22,029,623 new units of The Link REIT in aggregate were issued, comprising (i) 20,194,922 new units issued at an issue price of HK\$31.18 per unit pursuant to the distribution reinvestment scheme in respect of the final distribution for the financial year ended 31 March 2012; and (ii) 1,834,701 new units issued upon the vesting of restricted unit awards under the long-term incentive plan of The Link REIT.

PUBLIC FLOAT

As at 30 September 2012, based on the information publicly available to the Manager, more than 25% of the issued units of The Link REIT was held in public hands.

INTERIM DISTRIBUTION AND CLOSURE OF REGISTER OF UNITHOLDERS

The interim distribution of HK71.08 cents per unit for the six months ended 30 September 2012 will be paid on or around Friday, 11 January 2013 to Unitholders whose names appear on the register of Unitholders of The Link REIT on Monday, 26 November 2012. For the purpose of ascertaining Unitholders' entitlement to the interim distribution, the register of Unitholders will be closed from Thursday, 22 November 2012 to Monday, 26 November 2012, both days inclusive, during which period no transfer of units will be registered. In order to qualify for the interim distribution, all transfer documents, accompanied by the relevant unit certificates, must be lodged with The Link REIT's unit registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 21 November 2012.

DISTRIBUTION REINVESTMENT SCHEME

A distribution reinvestment scheme will be made available to eligible Unitholders with a registered address in Hong Kong, who may elect to receive the interim distribution for the six months ended 30 September 2012 wholly in cash or wholly in new units or a combination of both. An announcement giving further information of such scheme will be published on or around Monday, 26 November 2012, and a circular containing details of such scheme together with the relevant election form or entitlement advice will be despatched to Unitholders on or around Thursday, 6 December 2012.

DESPATCH OF INTERIM REPORT 2012/2013

The interim report 2012/2013 of The Link REIT will be despatched to Unitholders on or around Friday, 23 November 2012.

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

Hong Kong, 7 November 2012

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

Chairman (also an Independent Non-Executive Director)

Nicholas Robert SALLNOW-SMITH

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

Michael Ian ARNOLD

William CHAN Chak Cheung

Anthony CHOW Wing Kin

Patrick FUNG Yuk Bun

Stanley KO Kam Chuen

David Charles WATT

Richard WONG Yue Chim