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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 2014**

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 to unitholders (the “**Unitholders**”) the unaudited interim results of The Link REIT and its subsidiaries (the “**Group**”) for the six months ended 30 September 2014.

The interim results and the condensed consolidated interim financial information of the Group for the six months ended 30 September 2014, after review by the audit committee of the Manager (the “**Audit Committee**”), were approved by the Board on 12 November 2014.

#### **OVERALL FINANCIAL RESULTS**

During the six months under review, total revenue increased by 9.6% to HK\$3,830 million (six months ended 30 September 2013: HK\$3,493 million) while net property income increased by 10.6% to HK\$2,783 million (six months ended 30 September 2013: HK\$2,517 million). Interim distribution per unit (“**DPU**”) for the period amounted to HK89.56 cents (six months ended 30 September 2013: HK80.22 cents), which includes a discretionary distribution relating to the transaction costs incurred for the acquisition of investment property during the period of HK5.56 cents (six months ended 30 September 2013: Nil). The interim DPU represents a year-on-year increase of 11.6%.

Valuation of the investment properties portfolio continued to improve and reached HK\$125,486 million (31 March 2014: HK\$109,899 million), representing an increase of 14.2% compared to 31 March 2014. Net asset value per unit grew to HK\$48.23 (31 March 2014: HK\$41.69).

## OPERATIONS REVIEW

In order to operate The Link REIT's business in a responsible and sustainable manner, the Manager must assess the business using a range of financial and non-financial measures. The Link REIT's Annual Report 2013/2014 was its first attempt at producing an annual report that followed the Integrated Reporting Framework. Building upon this effort, to maintain reporting consistency and to provide readers with a comprehensive understanding of The Link REIT's operations, the Manager has elected to adopt a similar reporting approach for presenting the business review below in the context of financial, manufactured, intellectual, natural, social and relationship, and human capitals on our business.

## FINANCIAL CAPITAL

### Revenue analysis

Although some economic indicators may suggest a slowing economy, the resilient nature of our business of providing non-discretionary products and services has enabled us to maintain a steady growth in revenue. Total revenue rose to HK\$3,830 million (six months ended 30 September 2013: HK\$3,493 million), comprising rental income from retail properties of HK\$2,831 million (six months ended 30 September 2013: HK\$2,602 million), car parks of HK\$825 million (six months ended 30 September 2013: HK\$729 million) and other property related revenue of HK\$174 million (six months ended 30 September 2013: HK\$162 million).

	Six months ended 30 September 2014 HK\$'M	Six months ended 30 September 2013 HK\$'M	Year- on-year change %
<b>Retail rentals:</b>			
Shops <sup>(1)</sup>	2,294	2,122	8.1
Markets/Cooked Food Stalls	379	335	13.1
Education/Welfare, Office and Ancillary	73	67	9.0
Mall Merchandising	85	78	9.0
<b>Car parks rentals:</b>			
Monthly	609	544	11.9
Hourly	216	185	16.8
<b>Expenses recovery and other miscellaneous revenue:</b>			
Property related revenue <sup>(2)</sup>	174	162	7.4
<b>Total</b>	<b>3,830</b>	<b>3,493</b>	<b>9.6</b>

Notes:

(1) Rental from shops includes base and turnover rents.

(2) Including other revenue from retail properties of HK\$172 million (six months ended 30 September 2013: HK\$160 million) and car parks of HK\$2 million (six months ended 30 September 2013: HK\$2 million).

## Expenses analysis

Despite an increase of 7.3% in our total property operating expenses for the period under review, we managed to maintain our net property income margin steady at 72.7%.

Increase in staff costs was mainly due to a higher accrual for long-term incentive plan as a result of the increase in the closing unit price as at 30 September 2014 against that on 31 March 2014.

The Manager continues to monitor and manage energy consumption. Despite the increased number of extremely hot days this past summer, we managed to maintain our energy consumption at approximately the same level as last year. This helped to mitigate the increase in energy tariffs across our Kowloon and New Territories properties.

Uplift in government rent and rates was generally in line with revenue growth.

	<b>Six months ended 30 September 2014 HK\$'M</b>	Six months ended 30 September 2013 HK\$'M	Year- on-year change %
Property managers' fees, security and cleaning	<b>276</b>	267	3.4
Staff costs	<b>196</b>	159	23.3
Repair and maintenance	<b>102</b>	99	3.0
Utilities	<b>181</b>	175	3.4
Government rent and rates	<b>119</b>	107	11.2
Promotion and marketing expenses	<b>41</b>	45	(8.9)
Estate common area costs	<b>57</b>	57	—
Other property operating expenses	<b>75</b>	67	11.9
<b>Total property operating expenses</b>	<b><u>1,047</u></b>	<b><u>976</u></b>	<b>7.3</b>

## Capital management

The Manager has adopted an active approach for capital management which supports The Link REIT to maintain a strong credit rating, achieve low funding cost and mitigate interest rate volatility. In the period under review, long-term US treasury yields remained at historical low levels. At the same time, credit margins for high credit rated corporate bonds tightened due to risk aversion by market participants. Taking advantage of the lower long-term interest rates and credit margins, The Link REIT issued US\$500 million 10-year fixed rate medium term notes (“**MTN**”) at 3.60% per annum. The notes were priced at a yield equivalent to the 10-year US treasury yield plus 1.30%. These first time US\$ notes have not only broadened the funding source of The Link REIT, but it also strengthened the Group’s liquidity position and improved protection against potential interest rate increases.

During the period, a HK\$2 billion secured loan from The Hong Kong Mortgage Corporation Limited (“**HKMC**”) and HK\$550 million bilateral bank loans were repaid. The final tranche of HK\$1 billion secured loan from HKMC is scheduled for repayment in May 2015. After that, no property of the Group will be pledged.

### **Committed Debt Facilities <sup>(1)</sup>** **(As at 30 September 2014)**

(HK\$ billion)	Fixed rate debt <sup>(2)</sup>	Floating rate debt <sup>(2)</sup>	Utilised facilities	Undrawn facilities	Total committed facilities
Secured loan	0.75	0.25	1.00	–	1.00
Unsecured bank loans	1.20	1.96	3.16	3.56	6.72
MTN	6.65	3.58	10.23	–	10.23
<b>Total</b>	<b>8.60</b>	<b>5.79</b>	<b>14.39</b>	<b>3.56</b>	<b>17.95</b>
<b>Percentage</b>	<b>60%</b>	<b>40%</b>	<b>80%</b>	<b>20%</b>	<b>100%</b>

Notes:

(1) All amounts are at face value.

(2) After interest rate swaps.

Following the first batch of HK\$1,240 million (before transaction costs) property disposal completed in July 2014, the Manager used HK\$888 million to buy back approximately 19.4 million units of The Link REIT at an average price of HK\$45.63 per unit in order to neutralise the negative impact on future DPU from the property disposal. The remaining proceeds of HK\$339 million has been retained as general corporate funding. The acquisition of Lions Rise Mall was completed in September 2014 and the consideration of HK\$1,380 million together with transaction expenses of about HK\$128 million were funded from the Group's existing available liquidity.

As at 30 September 2014, the Group's available liquidity increased slightly to HK\$7.14 billion (31 March 2014: HK\$7.10 billion), comprising HK\$3.58 billion (31 March 2014: HK\$2.79 billion) in cash and deposits and HK\$3.56 billion (31 March 2014: HK\$4.31 billion) in committed but undrawn facilities. At the same time, the average life of the Group's committed debt facilities increased to 5.2 years (31 March 2014: 3.7 years).

As at 30 September 2014, total debt increased to HK\$14.39 billion (31 March 2014: HK\$12.56 billion) and gearing ratio remained steady at 11.0% due to higher property valuation. The percentage of fixed rate debt to net debt as at 30 September 2014 increased to 79.6% (31 March 2014: 66.2%). Average life of fixed rate debt, representing the average period of interest rate protection provided by the fixed rate debt, also increased further to 7.0 years (31 March 2014: 6.2 years). Despite more fixed interest rate hedging, effective interest cost of the Group's debt portfolio as at 30 September 2014 was increased only slightly to 2.85% (31 March 2014: 2.77%).

**Facility Maturity Profile <sup>(1)</sup>**  
**(As at 30 September 2014)**

(HK\$ billion)	Secured loan	Unsecured bank loans	MTN	Undrawn facilities	Total
Due in the first year	1.00	0.91	–	1.31	3.22
Due in the second year	–	1.25	0.21	1.25	2.71
Due in the third year	–	–	1.11	–	1.11
Due in the fourth year	–	0.50	1.09	0.50	2.09
Due in the fifth year	–	0.50	0.70	0.50	1.70
Beyond the fifth year	–	–	7.12	–	7.12
<b>Total</b>	<b>1.00</b>	<b>3.16</b>	<b>10.23</b>	<b>3.56</b>	<b>17.95</b>

Note:

(1) All amounts are at face value.

The Link REIT's credit ratings were affirmed by Standard & Poor's at A/Stable on 30 July 2014 and by Moody's Investors Service at A2/Stable on 29 September 2014.

## MANUFACTURED CAPITAL

### Valuation analysis

Total value of The Link REIT's investment properties increased 14.2% from HK\$109,899 million as at 31 March 2014 to HK\$125,486 million as at 30 September 2014. Despite the disposal of four properties completed during the period under review, value of the retail properties increased 12.3% to HK\$102,492 million as at 30 September 2014 (31 March 2014: HK\$91,245 million) while value of the car parks increased 23.3% to HK\$22,994 million (31 March 2014: HK\$18,654 million). The increase in value was mainly driven by the increase in net property income and compressed capitalisation rates for car parks and some of the smaller assets in the portfolio to reflect recent market transactions.

CBRE Limited, the principal valuer of The Link REIT, valued The Link REIT's property portfolio as at 30 September 2014 through a combination of discounted cash flow ("DCF") and income capitalisation approaches while making references to market transactions and comparables.

### Valuation Approach

	<b>As at 30 September 2014</b>	<b>As at 31 March 2014</b>
<b>Income Capitalisation Approach – Capitalisation Rate</b>		
Retail properties	<b>3.40 – 5.80 %</b>	4.40 – 6.60 %
Retail properties: weighted average	<b>4.76 %</b>	5.09 %
Car parks	<b>3.80 – 6.60 %</b>	4.80 – 7.60 %
Car parks: weighted average	<b>5.09 %</b>	6.16 %
Overall weighted average	<b>4.82 %</b>	5.27 %
<b>DCF Approach</b>		
Discount rate	<b>7.50 %</b>	7.50 %

### Asset enhancement

As at 30 September 2014, the asset enhancement projects at Hoi Fu Shopping Centre and Mei Lam Commercial Centre had been completed with satisfactory returns on investment of 19.1% and 17.8%, respectively. This brings the total number of completed asset enhancement projects to 37.

Hoi Fu Shopping Centre and Mei Lam Commercial Centre are the latest examples of enhancement works completed for the smaller properties in the portfolio. Refurbishment works at these two properties included improved floor plans creating more shops and street-front shops, redesigned façades, and revamped ceilings and lighting. These have contributed towards improving the ambiance and visibility of the properties, which in turn has enabled us to introduce new dining and retail tenants at both locations.

## Status of Asset Enhancement Projects

	Number of projects	Estimated costs HK\$'M
Completed since initial public offering	37	3,528
Underway	7	1,444
Pending statutory approval	8	1,155
Others under planning	> 13	> 1,600
	<hr/>	<hr/>
<b>Total</b>	<b>&gt; 65</b>	<b>&gt; 7,727</b>
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## Asset Enhancement Projects Underway

	Estimated costs HK\$'M	Target completion date
Yau Oi Commercial Centre <sup>(1)</sup> } On Ting Commercial Complex } Un Chau Shopping Centre <sup>(2)</sup>	477	late 2014
Tsing Yi Commercial Complex <sup>(2)</sup>	66	late 2014
Lung Cheung Plaza <sup>(3)</sup>	140	mid 2015
Long Ping Commercial Centre <sup>(2)</sup>	353	late 2015
Tin Shing Shopping Centre	196	late 2015
	<hr/>	early 2016
<b>Total</b>	<b>1,444</b>	
	<hr/> <hr/>	

Notes:

- (1) Project includes a fresh market upgrade.
- (2) Property ranked outside of top 50 by valuation.
- (3) Property ranked amongst top 10 by valuation.

The majority of our completed asset enhancement projects to date consist of refurbishment activities to modernise an ageing property portfolio. This includes upgrading lighting, enhancing storefront design and ensuring all properties comply with the latest building codes and regulations.



Hong Kong is vibrant and dynamic with changing demographics. To keep pace with changing community, shopping demands, growing population and increasing household income, we have also committed greater capital expenditure towards repositioning some shopping centres. Repositioning assets aims to provide a better shopping environment to tenants and shoppers by making significant upgrades including structural changes to improve property layout, enhance property façade and integrate our assets with nearby landmarks and attractions. Asset repositioning ensures that our properties will remain competitive in attracting and retaining a diverse tenant mix to offer to the local communities.

The Manager constantly reviews The Link REIT's portfolio, and changes in demographics and shoppers' demand, improved tenant pool and new infrastructure and development will lead to the change in growth potential in certain areas. In view of these factors in the dynamic environment, some properties that we have carried out minor refurbishment before may be selected to undergo a second asset enhancement for repositioning if we see higher growth potential.

Lung Cheung Plaza, which had completed a minor refurbishment in 2008 to upgrade a small section of the property, is now undergoing repositioning works scheduled to be completed in 2015. This project will repartition retail space for more variety, reorganise the zoning for different trades, and deliver an expansion of trade mix. This repositioning will ultimately capture the growth potential of the district, and attract more potential customers and tenants.

The Link REIT has already planned for an asset enhancement pipeline running to 2020. Enhanced assets continually outperform the remaining portfolio and asset enhancement is a sustainable and proven growth strategy that sees the creation of synergies among our shopping centres, fresh markets, cooked food stalls, and car parks throughout Hong Kong.

### **Asset investment**

In the six months ended 30 September 2014, The Link REIT's manufactured capital underwent several notable changes. The Link REIT acquired one property, Lions Rise Mall, in the Wong Tai Sin district for HK\$1,380 million. Lions Rise Mall, coupled with our two nearby properties – Wong Tai Sin Plaza and Lung Cheung Plaza – creates a cluster with synergistic effect to allow us to serve a wider range of shoppers.

Having reviewed our property portfolio, The Link REIT completed the disposal of four properties in July 2014 and announced the disposal of another five properties in September 2014, to be completed in December 2014. The sale of the four properties in July 2014 fetched a total consideration of HK\$1,240 million, representing a 38% premium to the aggregate appraised values of those properties as at 31 March 2014. The disposal of the second batch of five properties, when completed, will bring in another HK\$1,716 million, representing a 29% premium to the aggregate appraised value of those properties as at 31 March 2014. The Link REIT is applying the disposal proceeds in a variety of ways including unit buy-backs to neutralise the negative impact on future DPU from the asset disposals, fund potential investment opportunities as well as for general working capital purposes.



We continue to assess performance of the Hong Kong portfolio, identify outlying assets for disposal to streamline and improve operating efficiency and seek better quality assets for acquisition. Together, these actions upgrade the portfolio composition and recycle capital for further value creation.

Besides investment opportunities in Hong Kong, following the approved change to our investment mandate in February 2014 allowing us to invest into areas outside of Hong Kong, we have started to identify and assess new property investment opportunities in Mainland China. The Pearl River Delta has seen improved infrastructure and development, and is benefitting from expansion of middle class shoppers. Our larger tenants are already operating in the Pearl River Delta region as they see opportunities in Mainland Chinese mid-market retail properties. While a large number of potential opportunities exist outside of Hong Kong, each opportunity will be approached with due diligence, so that factors such as location, costs, prices, tenant mix and long-term potential are all examined to ensure that we can deliver accretive growth for our Unitholders.

On 10 November 2014, the Manager entered into a non-binding letter of intent with 萬科企業股份有限公司 (China Vanke Co., Ltd.) in relation to the proposed acquisition of an 80% interest in a shopping mall as well as certain shops and car parks that form part of a larger mixed-use development located in Longcheng Street, Longgang District, Shenzhen. For details, please see announcement of The Link REIT dated 10 November 2014.

## **INTELLECTUAL CAPITAL**

Our well-established financial and manufactured capitals have built a solid foundation for growth. Stepping up further requires us to remain diligent in developing our asset management expertise (comprising property management and leasing), to continually refine The Link REIT's trade mix, develop initiatives to support our tenants, create a more stable asset profile and effectively control operating costs.

With these strategies in place, The Link REIT has capitalised on the resilience of Hong Kong's retail sales environment. We have benefitted from positive consumer sentiment, stable sales growth in non-discretionary items, steady improvement in household income, favourable employment conditions in society and increasing statutory minimum wage that supports domestic consumption.

### **Retail portfolio**

As at 30 September 2014, the overall occupancy rates of the retail portfolio remained stable at 94.4% (31 March 2014: 94.4%). Steady improvement in tenant sales performance continued and the composite reversion rate for the period under review (on an average 3-year lease) stood at a healthy level of 23.6% (six months ended 30 September 2013: 23.6%). The average monthly unit rent improved from HK\$42.1 per square foot ("psf") as at 31 March 2014 to HK\$43.6 psf as at 30 September 2014.

## Operational Statistics of the Retail Portfolio

Category	Occupancy rate		Composite reversion rate		% of total IFA <sup>(1)(2)</sup>
	As at 30 September 2014 %	As at 31 March 2014 %	Six months ended 30 September 2014 %	Six months ended 30 September 2013 %	As at 30 September 2014 %
Shops	96.4	96.6	24.1	22.6	81.9
Markets/ Cooked Food Stalls	84.2	82.4	21.8	27.7	9.1
Education/ Welfare, Office and Ancillary	87.0	86.3	20.6	13.1	9.0
<b>Total</b>	<b>94.4</b>	<b>94.4</b>	<b>23.6</b>	<b>23.6</b>	<b>100.0</b>

Notes:

(1) IFA means internal floor area.

(2) Total excluding self use office.

The Manager continued to achieve improvement across The Link REIT's retail portfolio of different sizes. The retail components of the top 10 properties and the properties ranked 11th to 50th by valuation contributed 25.3% and 45.9% respectively to the retail rental revenue of The Link REIT's portfolio and achieved an average monthly unit rent of HK\$62.9 psf and HK\$47.6 psf, respectively, as at 30 September 2014 (31 March 2014: HK\$60.5 psf and HK\$45.1 psf).

## Retail Portfolio Breakdown

Properties <sup>(1)</sup>	Retail properties valuation	Retail rentals Six months ended	Average monthly unit rent per leased IFA		Occupancy rate	
	As at 30 September 2014	ended 30 September 2014	As at 30 September 2014	As at 31 March 2014	As at 30 September 2014	As at 31 March 2014
	HK\$'M	HK\$'M	HK\$ psf	HK\$ psf	%	%
1-10	27,696	717	62.9	60.5	97.7	98.7
11-50	47,761	1,300	47.6	45.1	95.5	95.6
51-100	22,777	667	33.2	32.4	93.4	91.8
Remaining	4,258	134	22.9	23.2	87.8	89.3
Properties disposed	n/a	13				
<b>Total</b>	<b>102,492</b>	<b>2,831</b>	<b>43.6</b>	<b>42.1</b>	<b>94.4</b>	<b>94.4</b>

Note:

(1) Properties ranked by retail valuation as at 30 September 2014.

Average monthly retail gross sales per square foot of our tenants rose by 6.2% as compared to the same period last year. "Food and Beverage" maintained a high single-digit year-on-year growth in gross sales per square foot of 8.3%, while "General Retail" and "Supermarkets and Foodstuff" recorded increases of 6.0% and 4.3% respectively.

### Retail Trade Mix by Monthly Rent and Leased IFA (As at 30 September 2014)

Trade	By Monthly Rent	By Leased IFA
Food and Beverage	24.8%	29.4%
Supermarkets and Foodstuff	22.6%	18.8%
Markets/Cooked Food Stalls	14.6%	8.1%
Services	11.3%	9.7%
Personal Care, Medicine, Optical, Books and Stationery	8.3%	5.9%
Education/Welfare, Office and Ancillary	1.3%	8.3%
Others <sup>(1)</sup>	17.1%	19.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Note:

(1) Others include clothing, department stores, electrical and household products, leisure and entertainment, and valuable goods.

As at 30 September 2014, approximately 62.0% of monthly rent of The Link REIT's portfolio was attributed to "Food and Beverage", "Supermarkets and Foodstuff" and "Markets/Cooked Food Stalls" trades, catering to the daily needs of the community.

### Car park portfolio

Demand for car park spaces across the portfolio continued to increase as a result of higher demand from neighbouring residents and higher patronage of the retail facilities. With the increased revenue coupled with diligent cost control measures, net income margin for the six months under review improved to 70.7% (six months ended 30 September 2013: 68.8%).

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

	<b>Six months ended 30 September 2014</b>	Six months ended 30 September 2013
Utilisation of car park space (%)	<b>91.7</b>	86.4
Car park income per space per month (HK\$)	<b>1,738</b>	1,529
Net property income margin (%)	<b>70.7</b>	68.8
Average valuation per space (HK\$'000)	<b>294</b>	208

### NATURAL CAPITAL

We continue to seek opportunities to minimise the environmental impact of our operations, by controlling utilities expenses, energy management and waste management programmes. In April 2014, we launched a waste management pilot programme to assess the total daily amount of waste disposed of by our properties. The programme, originally comprising 10 locations, has since expanded to 47 properties, covering 45% of The Link REIT's total internal floor area. We will use the data from the pilot programme to develop a long term waste management strategy, which includes minimising waste produced to be disposed of at landfills, increasing recycling, and improving tenant and customer awareness.

Effective energy management has resulted in continuous margin improvement, which not only benefits The Link REIT, but also benefits tenants, communities and the environment. We will continue to invest in energy saving, waste reduction and carbon reduction, to enhance our natural capital.

## **SOCIAL AND RELATIONSHIP CAPITAL**

The Link REIT has developed numerous community engagement programmes. Annual flagship marketing events such as Lok Fu Halloween Haunted House, PAWS by the Sea and Low Carbon 30 remain popular programmes and continue to draw increasing participation from local communities. Our team of community relationship managers is dedicated to engage local communities to better understand their concerns and needs.

The Link Together Initiatives, our flagship charity and community engagement programme focusing on the well-being of the youth and elderly, has recently completed its inaugural year. We supported 10 programmes with over 80,000 direct beneficiaries across Hong Kong in 2013/14. We have also selected the second intake of nine community programmes to support for 2014/15 with a total funding amount of approximately HK\$7.5 million. An innovation category has been introduced in the 2014/15 funding round, allocating up to HK\$500,000 to support and encourage the development of new community based charity ideas. Aside from financial contributions, the commitment by The Link REIT to nurture the success and impact of The Link Together Initiatives includes providing additional support by assigning staff sponsors to assist in the community projects, as well as making our properties and facilities available to each of the selected programmes.

## **HUMAN CAPITAL**

Our achievements are a result of the tireless effort of our staff. In order to attract, motivate and retain high performing staff, it is our policy to provide our staff with an equitable, motivating and competitive remuneration package encompassing various benefits such as discretionary bonus, maternity/paternity leave and birthday leave. We also continue to invest in various training programmes, talent management systems, and work-life balance initiatives. Programmes such as the employee unit purchase plan and our executive diploma in shopping mall management offered through The Hong Kong Polytechnic University are examples of how we enhance our human capital where staff understand the value of what they are doing and feel vested in our corporate success.

As at 30 September 2014, the Manager had 956 staff (31 March 2014: 930).

## OUTLOOK

Over the past few years, The Link REIT has benefitted from a steady and favourable retail environment in Hong Kong resulting in robust year-on-year retail sales growth. However, the general consensus among Hong Kong retail environment indicators suggests that there has been a slowdown in retail sales growth this year. This includes a drop in the growth of tourist numbers arriving from Mainland China, which may be further intensified by the prospect of prolonged political instability in the Hong Kong Special Administrative Region. Furthermore, the construction sector is experiencing cost pressure due to a shortage of skilled labour.

With a retail portfolio targeting mass market and daily necessities, coupled with our strong financial position, The Link REIT is relatively less affected from the prospect of a Hong Kong-wide slowdown in retail sales. Nonetheless, to improve our ability to face these upcoming challenges, we are identifying opportunities to mitigate the potential impact through managing operational costs, retaining talent and developing partnerships with key service providers and contractors.

In every aspect of our business, The Link REIT has enhanced and managed assets for the community on a sustainable basis to provide stable income from a large portfolio. At the same time, we have used prudent capital management to counter potential interest rate hikes and we have operated a disciplined and cautious growth strategy. The Link REIT will continue to enhance the lives of people around The Link REIT properties, deliver a solid retail platform for tenants, generate impactful benefits for the business community, and create value for our different stakeholders.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		Six months ended 30 September 2014 (Unaudited) HK\$'M	Six months ended 30 September 2013 (Unaudited) HK\$'M
	Note		
<b>Revenues</b>	4	<b>3,830</b>	3,493
Property operating expenses	6	<u>(1,047)</u>	<u>(976)</u>
Net property income		<b>2,783</b>	2,517
General and administrative expenses		<b>(286)</b>	(106)
Change in fair values of investment properties		<u>14,761</u>	<u>5,211</u>
<b>Operating profit</b>	7	<b>17,258</b>	7,622
Interest income		<b>14</b>	14
Finance costs on interest bearing liabilities	8	<b>(169)</b>	(193)
Gain on disposal of investment properties		<u>340</u>	<u>–</u>
Profit before taxation and transactions with Unitholders		<b>17,443</b>	7,443
Taxation	10	<u>(411)</u>	<u>(368)</u>
<b>Profit for the period, before transactions with Unitholders (Note (i))</b>	11	<b>17,032</b>	7,075
Distributions paid to Unitholders (Note (ii))		<u>(1,976)</u>	<u>(1,725)</u>
		<u><b>15,056</b></u>	<u>5,350</u>
Represented by:			
Change in net assets attributable to Unitholders, excluding issues of new units and units bought back		<b>15,071</b>	5,412
Amount arising from cash flow hedging reserve movement	22	<u>(15)</u>	<u>(62)</u>
		<u><b>15,056</b></u>	<u>5,350</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\$1,976 million for the year ended 31 March 2014 (2013: HK\$1,725 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 2014 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 9 December 2014.



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Note	Before transactions with Unitholders (Unaudited) HK\$'M	Transactions with Unitholders (Note (i)) (Unaudited) HK\$'M	After transactions with Unitholders (Unaudited) HK\$'M
<b>Six months ended 30 September 2014</b>				
Profit for the period		17,032	(17,047)	(15)
Other comprehensive income				
Item that may be reclassified subsequently to the condensed consolidated income statement				
– Cash flow hedging reserve		15	–	15
Total comprehensive income for the period	(ii)	<u>17,047</u>	<u>(17,047)</u>	<u>–</u>
<b>Six months ended 30 September 2013</b>				
Profit for the period		7,075	(7,137)	(62)
Other comprehensive income				
Item that may be reclassified subsequently to the condensed consolidated income statement				
– Cash flow hedging reserve		62	–	62
Total comprehensive income for the period	(ii)	<u>7,137</u>	<u>(7,137)</u>	<u>–</u>

Notes:

- (i) Transactions with Unitholders comprise the distributions to Unitholders of HK\$1,976 million (2013: HK\$1,725 million) and change in net assets attributable to Unitholders, excluding issues of new units and units bought back, of HK\$15,071 million (2013: HK\$5,412 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. 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 distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of the trust less any liabilities, in accordance with their proportionate interests in the trust at the date of the termination. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with Hong Kong Accounting Standard 32: Financial Instruments: Presentation. Consistent with Unitholders' funds being classified as a financial liability, the distributions to Unitholders and change in net assets attributable to Unitholders, excluding issues of new units and units bought back, are finance costs. Accordingly, the total comprehensive income, after the transactions with Unitholders, is zero.

**CONSOLIDATED STATEMENT OF DISTRIBUTIONS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Note	Six months ended 30 September 2014 (Unaudited) HK\$'M	Six months ended 30 September 2013 (Unaudited) HK\$'M
<b>Profit for the period, before transactions with Unitholders</b>		<b>17,032</b>	7,075
Adjustments:			
– Change in fair values of investment properties		(14,761)	(5,211)
– Gain on disposal of investment properties, net of transaction costs		(327)	–
– Other non-cash income		(18)	(10)
<b>Total Distributable Income (Note (i))</b>		<b>1,926</b>	1,854
<b>Discretionary distribution (Note (ii))</b>		<b>128</b>	–
<b>Total Distributable Amount</b>		<b>2,054</b>	1,854
Interim distribution for the period, to be paid to the Unitholders (Note (iii))		<b>2,054</b>	1,854
Total Distributable Amount as a percentage of Total Distributable Income		<b>107%</b>	100%
Units in issue at 30 September	21	<b>2,293,242,269</b>	2,310,889,561
<b>Distribution per unit to Unitholders for the period (Note (iv))</b>		<b>HK89.56 cents</b>	HK80.22 cents

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.

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 (i.e. Total Distributable Amount). The Manager has decided to distribute 100% (2013: 100%) of Total Distributable Income as the distribution for the six months ended 30 September 2014.

- (ii) Discretionary distribution refers to any additional amount to be distributed as determined by the Manager pursuant to clause 13.4 of the Trust Deed. The Manager recommended a discretionary distribution relating to the transaction costs incurred for the acquisition of investment property during the period.

- (iii) The interim distribution will be paid to Unitholders on 9 December 2014.

- (iv) The interim distribution per unit of HK89.56 cents for the six months ended 30 September 2014 is calculated based on the interim distribution of HK\$2,054 million for the period and 2,293,242,269 units in issue as at 30 September 2014, without taking into account any change in the number of units in issue subsequent to the approval of the condensed consolidated interim financial information. The interim distribution per unit of HK80.22 cents for the six months ended 30 September 2013 was calculated based on the interim distribution of HK\$1,854 million for the period and 2,310,889,561 units in issue as at 30 September 2013.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 30 SEPTEMBER 2014

	Note	30 September 2014 (Unaudited) HK\$'M	31 March 2014 (Audited) HK\$'M
<b>Non-current assets</b>			
Goodwill	12	388	331
Investment properties	13	123,882	109,899
Property, plant and equipment	14	73	70
Derivative financial instruments	20	80	69
		<u>124,423</u>	<u>110,369</u>
<b>Current assets</b>			
Investment properties held for sale	13	1,604	–
Trade and other receivables	15	262	237
Deposits and prepayments		62	66
Short-term bank deposits	16	1,614	2,234
Cash and cash equivalents	16	1,967	560
		<u>5,509</u>	<u>3,097</u>
<b>Total assets</b>		<u>129,932</u>	<u>113,466</u>
<b>Current liabilities</b>			
Trade payables, receipts in advance and accruals	17	1,319	1,310
Security deposits		1,231	1,101
Provision for taxation		421	209
Current portion of long-term incentive plan provision	18	48	60
Interest bearing liabilities	19	1,876	2,825
Derivative financial instruments	20	42	27
		<u>4,937</u>	<u>5,532</u>
<b>Net current assets/(liabilities)</b>		<u>572</u>	<u>(2,435)</u>
<b>Total assets less current liabilities</b>		<u>124,995</u>	<u>107,934</u>
<b>Non-current liabilities, excluding net assets attributable to Unitholders</b>			
Long-term incentive plan provision	18	18	32
Interest bearing liabilities	19	12,417	9,699
Derivative financial instruments	20	103	98
Deferred tax liabilities		1,847	1,754
		<u>14,385</u>	<u>11,583</u>
<b>Total liabilities, excluding net assets attributable to Unitholders</b>		<u>19,322</u>	<u>17,115</u>
<b>Net assets attributable to Unitholders</b>		<u>110,610</u>	<u>96,351</u>
Units in issue	21	<u>2,293,242,269</u>	<u>2,310,889,561</u>
<b>Net assets per unit attributable to Unitholders</b>		<u>HK\$48.23</u>	<u>HK\$41.69</u>

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Note	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 2014		–	96,351	96,351
Issuance of units under long-term incentive plan		–	74	74
Units bought back for cancellation	21	–	(886)	(886)
Profit for the period ended 30 September 2014, before transactions with Unitholders		–	17,032	17,032
Distributions paid to Unitholders – 2014 final distribution		–	(1,976)	(1,976)
Change in fair values of cash flow hedges	22	(13)	–	(13)
Amount transferred to the condensed consolidated income statement	22	28	–	28
Amount arising from cash flow hedging reserve movement	22	(15)	15	–
Change in net assets attributable to Unitholders for the period ended 30 September 2014, excluding issues of new units and units bought back		–	15,071	15,071
<b>Net assets attributable to Unitholders at 30 September 2014</b>		<b>–</b>	<b>110,610</b>	<b>110,610</b>
Net assets attributable to Unitholders at 1 April 2013		–	81,642	81,642
Issuance of units – under distribution reinvestment scheme		–	779	779
– under long-term incentive plan		–	79	79
Profit for the period ended 30 September 2013, before transactions with Unitholders		–	7,075	7,075
Distributions paid to Unitholders – 2013 final distribution		–	(1,725)	(1,725)
Change in fair values of cash flow hedges		12	–	12
Amount transferred to the condensed consolidated income statement		50	–	50
Amount arising from cash flow hedging reserve movement		(62)	62	–
Change in net assets attributable to Unitholders for the period ended 30 September 2013, excluding issues of new units		–	5,412	5,412
Net assets attributable to Unitholders at 30 September 2013		–	87,912	87,912

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Note	Six months ended 30 September 2014 (Unaudited) HK\$'M	Six months ended 30 September 2013 (Unaudited) HK\$'M
<b>Operating activities</b>			
<b>Net cash generated from operating activities</b>		<b>2,542</b>	2,328
<b>Investing activities</b>			
Acquisition of Lions Rise Mall	23	(1,380)	–
Proceeds from disposal of investment properties		1,240	–
Deposits from disposal of investment properties		83	–
Additions to investment properties		(464)	(483)
Additions to property, plant and equipment		(15)	(8)
Interest income received		23	18
Decrease/(increase) in short-term bank deposits with original maturity of more than three months		620	(932)
<b>Net cash generated from/(used in) investing activities</b>		<b>107</b>	(1,405)
<b>Financing activities</b>			
Proceeds from interest bearing liabilities, net of transaction costs		4,585	341
Repayment of interest bearing liabilities		(2,800)	(1,650)
Interest expenses paid on interest bearing liabilities		(165)	(199)
Distributions paid to Unitholders		(1,976)	(946)
Units bought back for cancellation		(886)	–
<b>Net cash used in financing activities</b>		<b>(1,242)</b>	(2,454)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,407</b>	(1,531)
Cash and cash equivalents at 1 April		560	1,657
<b>Cash and cash equivalents at 30 September</b>		<b>1,967</b>	126

# 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, the Ninth Supplemental Deed dated 25 July 2012 and the Tenth Supplemental Deed dated 18 February 2014) (together the “**Trust Deed**”).

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

## 2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 September 2014 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 2014.

## 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 2014, except for the adoption of the following new standards, amendments and interpretations issued by the HKICPA which became effective for the six months ended 30 September 2014.

HKAS 27 (2011), HKFRS 10 and  
HKFRS 12 Amendments

Separate Financial Statements, Consolidated Financial  
Statements and Disclosure of Interests in Other Entities:  
Investment Entities

HKAS 32 Amendments  
HKAS 36 Amendments  
HKAS 39 Amendments  
HK(IFRIC)-Int 21

Offsetting Financial Assets and Financial Liabilities  
Recoverable Amount Disclosures for Non-Financial Assets  
Novation of Derivatives and Continuation of Hedge Accounting  
Levies

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

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 2015.

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

### 3 Accounting policies (Continued)

HKAS 16 and HKAS 38 Amendments	Classification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants <sup>1</sup>
HKAS 19 (2011) Amendments	Defined Benefit Plans: Employee Contributions <sup>2</sup>
HKAS 27 Amendments	Equity Method in Separate Financial Statements <sup>1</sup>
HKAS 28 and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
HKAS 39, HKFRS 7 and HKFRS 9 Amendments	Hedge Accounting and amendments to HKAS 39, HKFRS 7 and HKFRS 9 <sup>3</sup>
HKFRS 7 and HKFRS 9 Amendments	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>
Annual Improvements to HKFRSs 2010 – 2012 Cycle <sup>2</sup>	
Annual Improvements to HKFRSs 2011 – 2013 Cycle <sup>2</sup>	
Annual Improvements to HKFRSs 2012 – 2014 Cycle <sup>1</sup>	

<sup>1</sup> effective for accounting periods beginning on or after 1 January 2016

<sup>2</sup> effective for accounting periods beginning on or after 1 July 2014

<sup>3</sup> effective for accounting periods beginning on or after 1 January 2018

<sup>4</sup> effective for accounting periods beginning on or after 1 January 2017

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

### 4 Revenues

Revenues recognised during the period comprise:

	<b>Six months ended 30 September 2014 (Unaudited) HK\$’M</b>	Six months ended 30 September 2013 (Unaudited) HK\$’M
Rentals from retail properties	2,831	2,602
Gross rentals from car parks	825	729
	<b>3,656</b>	<b>3,331</b>
Other revenues		
– Air conditioning service fees	164	154
– Other property related revenue	10	8
	<b>174</b>	<b>162</b>
Total revenues	<b>3,830</b>	<b>3,493</b>

Leases with tenants provide for monthly base rent and recovery of certain outgoings. Additional rents based on business turnover amounted to HK\$84 million (2013: HK\$68 million) and have been included in the rental income.



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

**5 Segment information**

	Retail properties HK\$'M	Car parks HK\$'M	Head office HK\$'M	Total HK\$'M
<b>For the six months ended 30 September 2014 (Unaudited)</b>				
Revenues	<u>3,003</u>	<u>827</u>	<u>–</u>	<u>3,830</u>
Segment results	2,198	585	(286)	2,497
Change in fair values of investment properties	10,207	4,554	–	14,761
Interest income				14
Finance costs on interest bearing liabilities				(169)
Gain on disposal of investment properties				340
Profit before taxation and transactions with Unitholders				17,443
Taxation				(411)
Profit for the period, before transactions with Unitholders				<u>17,032</u>
Capital expenditure	1,603	120	15	1,738
Depreciation	<u>–</u>	<u>–</u>	<u>(10)</u>	<u>(10)</u>
<b>As at 30 September 2014 (Unaudited)</b>				
Segment assets	102,712	23,052	119	125,883
Goodwill				388
Derivative financial instruments				80
Short-term bank deposits				1,614
Cash and cash equivalents				1,967
Total assets				<u>129,932</u>
Segment liabilities	2,024	147	379	2,550
Provision for taxation				421
Long-term incentive plan provision				66
Interest bearing liabilities				14,293
Derivative financial instruments				145
Deferred tax liabilities				1,847
Total liabilities, excluding net assets attributable to Unitholders				<u>19,322</u>
Net assets attributable to Unitholders				<u>110,610</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 2013 (Unaudited)				
Revenues	<u>2,762</u>	<u>731</u>	<u>–</u>	<u>3,493</u>
Segment results	2,014	503	(106)	2,411
Change in fair values of investment properties	3,995	1,216	–	5,211
Interest income				14
Finance costs on interest bearing liabilities				(193)
Profit before taxation and transactions with Unitholders				7,443
Taxation				(368)
Profit for the period, before transactions with Unitholders				<u>7,075</u>
Capital expenditure	375	35	5	415
Depreciation	<u>–</u>	<u>–</u>	<u>(10)</u>	<u>(10)</u>
As at 31 March 2014 (Audited)				
Segment assets	91,424	18,709	139	110,272
Goodwill				331
Derivative financial instruments				69
Short-term bank deposits				2,234
Cash and cash equivalents				560
Total assets				<u>113,466</u>
Segment liabilities	1,927	177	307	2,411
Provision for taxation				209
Long-term incentive plan provision				92
Interest bearing liabilities				12,524
Derivative financial instruments				125
Deferred tax liabilities				1,754
Total liabilities, excluding net assets attributable to Unitholders				<u>17,115</u>
Net assets attributable to Unitholders				<u>96,351</u>

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

**6 Property operating expenses**

	<b>Six months ended 30 September 2014 (Unaudited) HK\$'M</b>	Six months ended 30 September 2013 (Unaudited) HK\$'M
Property managers' fees, security and cleaning	276	267
Staff costs (Note 9)	196	159
Government rent and rates	119	107
Repair and maintenance	102	99
Utilities	181	175
Promotion and marketing expenses	41	45
Estate common area costs	57	57
Other property operating expenses	75	67
	<b>1,047</b>	<b>976</b>

**7 Operating profit**

	<b>Six months ended 30 September 2014 (Unaudited) HK\$'M</b>	Six months ended 30 September 2013 (Unaudited) HK\$'M
Operating profit for the period is stated after charging:		
Staff costs (Note 9)	278	223
Depreciation of property, plant and equipment	10	10
Loss on disposal of property, plant and equipment	2	–
Trustee's fee	4	4
Valuation fee	1	1
Auditor's remuneration	1	1
Bank charges	2	2
Operating lease charges	13	11
Other legal and professional fees	5	4
Donations	7	10

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

### 8 Finance costs on interest bearing liabilities

	Six months ended 30 September 2014 (Unaudited) HK\$'M	Six months ended 30 September 2013 (Unaudited) HK\$'M
Interest expenses on interest bearing liabilities wholly repayable within five years	99	103
Interest expenses on interest bearing liabilities wholly repayable beyond five years	68	70
Other borrowing costs (Note (i))	10	28
	<u>177</u>	<u>201</u>
Less: capitalised under investment properties (Note (ii))	(8)	(8)
	<u><u>169</u></u>	<u><u>193</u></u>

Notes:

- (i) Other borrowing costs include HK\$28 million (2013: HK\$50 million) net losses on interest rate swap contracts designated as cash flow hedges, HK\$29 million (2013: HK\$31 million) net gains on cross currency swap contracts and interest rate swap contracts designated as fair value hedges and various banking and financing charges.
- (ii) Interest expenses have been capitalised under investment properties at an average interest rate of 2.89% (2013: 3.14%) per annum.

### 9 Staff costs

	Six months ended 30 September 2014 (Unaudited) HK\$'M	Six months ended 30 September 2013 (Unaudited) HK\$'M
Wages and salaries	243	231
Contributions to mandatory provident fund scheme	6	6
Long-term incentive plan awards (Note 18)	57	13
	<u>306</u>	<u>250</u>
Less: capitalised under investment properties	(28)	(27)
Staff costs (Note 7)	<u><u>278</u></u>	<u><u>223</u></u>

Staff costs can be further analysed as below:

	Six months ended 30 September 2014 (Unaudited) HK\$'M	Six months ended 30 September 2013 (Unaudited) HK\$'M
Included under property operating expenses (Note 6)	196	159
Included under general and administrative expenses	82	64
	<u><u>278</u></u>	<u><u>223</u></u>

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

### 10 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period.

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

	<b>Six months ended 30 September 2014 (Unaudited) HK\$'M</b>	Six months ended 30 September 2013 (Unaudited) HK\$'M
Current taxation	318	270
Deferred taxation	93	98
Taxation	<u>411</u>	<u>368</u>

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

	<b>Six months ended 30 September 2014 (Unaudited)</b>	Six months ended 30 September 2013 (Unaudited)
Profit after taxation and before transactions with Unitholders (HK\$'M)	<u>17,032</u>	<u>7,075</u>
Weighted average number of units for the period for calculating basic earnings per unit	<b>2,309,562,285</b>	2,295,748,263
Adjustment for dilutive contingently issuable units under long-term incentive plan	<u>1,937,476</u>	<u>1,658,939</u>
Weighted average number of units for the period for calculating diluted earnings per unit	<u>2,311,499,761</u>	<u>2,297,407,202</u>
Earnings per unit based upon profit after taxation and before transactions with Unitholders, basic and diluted	<u>HK\$7.37</u>	<u>HK\$3.08</u>

### 12 Goodwill

	<b>Carrying value (Unaudited) HK\$'M</b>
At 1 April 2014	331
Acquisition of Lions Rise Mall (Note 23)	60
Disposal of investment properties	<u>(3)</u>
<b>At 30 September 2014</b>	<u><b>388</b></u>

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

### 13 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 2014	91,245	18,654	109,899
Acquisition of Lions Rise Mall (Note 23)	1,244	76	1,320
Additions	359	44	403
Disposals	(563)	(334)	(897)
Change in fair values	10,207	4,554	14,761
	<u>102,492</u>	<u>22,994</u>	<u>125,486</u>
Reclassify to "Investment properties held for sale" (see Note 13(g) below)	(993)	(611)	(1,604)
<b>At 30 September 2014</b>	<b><u>101,499</u></b>	<b><u>22,383</u></b>	<b><u>123,882</u></b>

### (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 2014, the remaining lease periods range from 29 to 46 years (31 March 2014: 29 to 46 years).

### (c) Valuation process

The investment properties were revalued on an open market value basis as at 31 March and 30 September 2014 by CBRE Limited, an independent firm of professional qualified valuers and the principal valuer of The Link REIT.

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

### (d) Valuation techniques

The principal valuer has relied on the income capitalisation approach and the discounted cash flow analysis as their primary approaches, cross-referenced to the direct comparison method.

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

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

The investment properties are included in Level 3 (31 March 2014: Level 3) of the fair value hierarchy.

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

### 13 Investment properties (Continued)

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

The Link REIT acquired Lions Rise Mall on 18 September 2014. 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.

#### (f) Security for the Group’s loan facilities

As at 30 September 2014, certain of the Group’s investment properties, amounting to approximately HK\$12,249 million (31 March 2014: HK\$10,772 million), were pledged to secure the loan from The Hong Kong Mortgage Corporation Limited. No property was pledged to secure any bank loan or medium term note.

#### (g) Investment properties held for sale

During the period, the Manager has put up certain properties of The Link REIT for private tender. On 29 September 2014, The Link Properties Limited, a wholly-owned subsidiary of The Link REIT, has accepted the tender documents submitted by certain independent third parties, which constitute binding agreements in respect of the sale and purchase of five properties for a cash consideration of HK\$1,716 million.

### 14 Property, plant and equipment

	Leasehold improvements (Unaudited) HK\$’M	Motor vehicles (Unaudited) HK\$’M	Equipment (Unaudited) HK\$’M	Total (Unaudited) HK\$’M
At 1 April 2014	15	1	54	70
Additions	9	2	4	15
Disposals	(2)	–	–	(2)
Depreciation charge for the period	(3)	–	(7)	(10)
<b>At 30 September 2014</b>	<b>19</b>	<b>3</b>	<b>51</b>	<b>73</b>
<b>At 30 September 2014</b>				
Cost	75	6	135	216
Accumulated depreciation	(56)	(3)	(84)	(143)
Net book value	19	3	51	73



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

### 15 Trade and other receivables

	<b>30 September 2014 (Unaudited) HK\$'M</b>	31 March 2014 (Audited) HK\$'M
Trade receivables	<b>86</b>	66
Less: provision for impairment of trade receivables	<b>(5)</b>	(1)
	<hr/>	<hr/>
Trade receivables – net	<b>81</b>	65
Other receivables	<b>181</b>	172
	<hr/>	<hr/>
	<b>262</b>	237
	<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 of trade receivables is as follows:

	<b>30 September 2014 (Unaudited) HK\$'M</b>	31 March 2014 (Audited) HK\$'M
0 – 30 days	<b>80</b>	64
31 – 90 days	<b>1</b>	1
Over 90 days	<b>5</b>	1
	<hr/>	<hr/>
	<b>86</b>	66
	<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)

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

	<b>30 September 2014 (Unaudited) HK\$'M</b>	31 March 2014 (Audited) HK\$'M
Cash on hand	1	–
Cash at bank	96	42
Short-term bank deposits with original maturity of less than three months	<u>1,870</u>	<u>518</u>
Cash and cash equivalents	<b>1,967</b>	560
Short-term bank deposits with original maturity of more than three months	<u>1,614</u>	<u>2,234</u>
	<b><u>3,581</u></b>	<b><u>2,794</u></b>

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

	<b>30 September 2014 (Unaudited) HK\$'M</b>	31 March 2014 (Audited) HK\$'M
Trade payables	46	17
Receipts in advance	205	150
Accruals	<u>1,068</u>	<u>1,143</u>
	<b><u>1,319</u></b>	<b><u>1,310</u></b>

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

The ageing of trade payables is as follows:

	<b>30 September 2014 (Unaudited) HK\$'M</b>	31 March 2014 (Audited) HK\$'M
0 – 30 days	35	14
31 – 90 days	<u>11</u>	<u>3</u>
	<b><u>46</u></b>	<b><u>17</u></b>

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

### 18 Long-term incentive plan provision

	<b>30 September 2014 (Unaudited) HK\$'M</b>	31 March 2014 (Audited) HK\$'M
Long-term incentive plan provision	<b>66</b>	92
Less: current portion of long-term incentive plan provision	<b>(48)</b>	(60)
Non-current portion of long-term incentive plan provision	<b><u>18</u></b>	<b><u>32</u></b>

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 Award (“**RUA**”), Unit Option and Conditional Cash Award (“**CCA**”) (collectively the “**Awards**”) to directors and key employees of the Manager. Awards are approved by the 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 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 RUA on vesting, which are linked to the performance of The Link REIT based on the TUR, NPI or certain vesting conditions, where appropriate, will range from 0% to 200% of RUA granted. CCA is granted in conjunction with the grant of RUA, bestowing upon the grantee a conditional right to receive a cash payment representing an amount equivalent to the aggregate of the distributions per unit to Unitholders during the vesting period, multiplied by the number of units that will eventually be issued to such grantee pursuant to RUA vested.

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

During the period, the Group issued 1,764,208 units (2013: 2,055,632 units) for RUA vested in accordance with the vesting conditions under the Plan.

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

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

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

Date of grant	Vesting period	Outstanding as at 1 April 2014	Granted during the period	Vested during the period <sup>(i)</sup>	Cancelled during the period	Lapsed during the period	Outstanding as at 30 September 2014	Maximum to be issued on vesting date <sup>(ii)</sup>
23 September 2011	23 September 2011 to 30 June 2014	529,760	-	(507,259) <sup>(iii)</sup>	(16,250)	(6,251)	-	-
16 July 2012	16 July 2012 to 30 June 2014	527,117	-	(511,104) <sup>(iii)</sup>	(12,750)	(3,263)	-	-
	16 July 2012 to 30 June 2015	526,655	-	-	-	(4,309)	522,346	1,044,692
20 January 2014	20 January 2014 to 30 June 2015	515,500	-	-	-	(3,125)	512,375	952,000
	20 January 2014 to 30 June 2016	515,500	-	-	-	(4,169)	511,331	949,912
17 July 2014	17 July 2014 to 30 June 2016	-	499,750	-	-	-	499,750	944,500
	17 July 2014 to 30 June 2017	-	499,750	-	-	-	499,750	944,500
Subtotal		2,614,532	999,500	(1,018,363)	(29,000)	(21,117)	2,545,552	4,835,604
Additional units vested over 100% of RUA granted		-	-	(745,845) <sup>(iii)</sup>	-	-	-	-
Total		<u>2,614,532</u>	<u>999,500</u>	<u>(1,764,208)</u>	<u>(29,000)</u>	<u>(21,117)</u>	<u>2,545,552</u>	<u>4,835,604</u>

#### Notes:

- (i) RUA vesting percentages during the period ranged from 146% to 200%.
- (ii) If certain vesting conditions are met.
- (iii) Additional units over 100% of RUA granted were vested pursuant to the relevant vesting conditions.

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

### 19 Interest bearing liabilities

	30 September 2014 (Unaudited) HK\$'M	31 March 2014 (Audited) HK\$'M
Bank borrowings	3,108	3,167
Medium term notes	10,185	6,357
Secured loan	1,000	3,000
	<u>14,293</u>	<u>12,524</u>
Less: current portion of interest bearing liabilities	(1,876)	(2,825)
Non-current portion of interest bearing liabilities	<u>12,417</u>	<u>9,699</u>

Interest bearing liabilities are repayable as follows:

	30 September 2014 (Unaudited) HK\$'M	31 March 2014 (Audited) HK\$'M
<b>Due in the first year</b>		
Bank borrowings	876	825
Secured loan	1,000	2,000
	<u>1,876</u>	<u>2,825</u>
<b>Due in the second year</b>		
Bank borrowings	1,244	613
Medium term notes	169	–
Secured loan	–	1,000
	<u>1,413</u>	<u>1,613</u>
<b>Due in the third year</b>		
Bank borrowings	–	1,243
Medium term notes	1,111	988
	<u>1,111</u>	<u>2,231</u>
<b>Due in the fourth year</b>		
Bank borrowings	494	–
Medium term notes	1,096	300
	<u>1,590</u>	<u>300</u>
<b>Due in the fifth year</b>		
Bank borrowings	494	486
Medium term notes	738	1,095
	<u>1,232</u>	<u>1,581</u>
<b>Due beyond the fifth year</b>		
Medium term notes	7,071	3,974
	<u>14,293</u>	<u>12,524</u>

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

### 19 Interest bearing liabilities (Continued)

Notes:

- (i) Except for a bank loan of HK\$262 million (31 March 2014: HK\$277 million) and medium term notes of HK\$169 million (31 March 2014: HK\$178 million) which are denominated in Australian Dollars and medium term notes of HK\$3,833 million (31 March 2014: Nil) which are denominated in United States Dollars, all the other interest bearing liabilities are denominated in Hong Kong Dollars.
- (ii) All of The Link REIT's foreign currencies borrowings are fully hedged into Hong Kong Dollars.
- (iii) The effective interest rate of the interest bearing liabilities (taking into account cross currency swap contracts and interest rate swap contracts) at the reporting date was 2.85% (31 March 2014: 2.77%). The carrying amounts of the interest bearing liabilities approximate their fair values.

### 20 Derivative financial instruments

	30 September 2014 (Unaudited) HK\$'M	31 March 2014 (Audited) HK\$'M
<b>Derivative assets</b>		
<b>Non-current item</b>		
Designated as cash flow hedge		
– interest rate swap contract	2	5
Designated as fair value hedge		
– cross currency swap contracts	11	–
– interest rate swap contracts	67	64
	<u>80</u>	<u>69</u>
	-----	-----
<b>Derivative liabilities</b>		
<b>Current item</b>		
Designated as cash flow hedge		
– interest rate swap contracts	4	4
Designated as fair value hedge		
– cross currency swap contract	38	23
	<u>42</u>	<u>27</u>
	-----	-----
<b>Non-current item</b>		
Designated as cash flow hedge		
– interest rate swap contracts	51	69
Designated as fair value hedge		
– cross currency swap contracts	52	29
	<u>103</u>	<u>98</u>
	-----	-----
	<u>145</u>	<u>125</u>
	-----	-----
	<u>65</u>	<u>56</u>
	=====	=====

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

### 20 Derivative financial instruments (Continued)

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2 of the fair value hierarchy.

The fair values of cross currency swap contracts and interest rate swap contracts are calculated by reference to the present values of the estimated future cash flows, taking into account market observable yield curves and forward exchange rates at each reporting date. Cross currency swap contracts and interest rate swap contracts are included in Level 2 (31 March 2014: Level 2) of the fair value hierarchy. During the period ended 30 September 2013 and 2014, there were no transfers between the three levels of the fair value hierarchy.

Notes:

- (i) The Group uses cross currency swap contracts and interest rate swap contracts (swapping from foreign currencies to Hong Kong Dollars) to minimise its exposure to movements in foreign currency exchange rates and interest rates in relation to its interest bearing liabilities. The fair values of these cross currency swap contracts and interest rate swap contracts are classified as non-current items should the remaining maturities of the hedged items extend for more than 12 months. Any change in fair values of the effective portion of the cash flow hedges in relation to interest rate swap contracts is recognised in the hedging reserve. Any change in fair values of the fair value hedges in relation to interest rate swap contracts and any change in fair value of cross currency swap contracts are recognised directly in the condensed consolidated income statement. A net amount of HK\$15 million (2013: HK\$62 million) has been credited to the hedging reserve during the period as further set out in Note 22.
- (ii) As at 30 September 2014, the derivative financial instruments qualifying as cash flow hedges have, in effect, provided the Group with an average fixed interest rate period of 2.2 years on HK\$2,150 million borrowings (31 March 2014: 2.7 years on HK\$2,150 million borrowings) from the reporting date. The notional principal amount and the weighted average fixed interest rate of the outstanding floating rates to fixed rates interest rate swap contracts as at 30 September 2014 were HK\$2,150 million (31 March 2014: HK\$2,150 million) and 2.95% (31 March 2014: 2.95%) respectively.
- (iii) As at 30 September 2014, the derivative financial instruments qualifying as fair value hedges have, in effect, converted part of the Group borrowings into Hong Kong Dollars fixed rate and floating rates interest bearing liabilities. The notional principal amounts of the outstanding cross currency swap contracts and interest rate swap contracts qualifying as fair value hedges as at 30 September 2014 were HK\$4,383 million (31 March 2014: HK\$507 million) and HK\$1,820 million (31 March 2014: HK\$1,820 million) respectively.
- (iv) Gains and losses on interest rate swap contracts recognised in the hedging reserve (Note 22) as at 30 September 2014 will be released to the condensed consolidated income statement.



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

### 21 Units in issue

	<b>Number of units (Unaudited)</b>
At 1 April 2014	2,310,889,561
Units bought back for cancellation	(19,411,500)
Units issued under long-term incentive plan	1,764,208
<b>At 30 September 2014</b>	<b><u>2,293,242,269</u></b>

Pursuant to the general mandate granted to the Manager by the Unitholders, the Manager (on behalf of The Link REIT) bought back a total of 19,411,500 units (2013: Nil) at an aggregate price of HK\$886 million (2013: Nil). Details of the units bought back during the period were as follows:

Month	Units bought back	Price paid per unit		Aggregate consideration HK\$'M
		Highest HK\$	Lowest HK\$	
June 2014	1,927,000	42.20	41.45	81
August 2014	1,773,500	46.30	45.35	81
September 2014	15,711,000	47.30	44.50	724
Total	<u>19,411,500</u>			886
Expenses on units bought back				<u>2</u>
				<u>888</u>

All units bought back were cancelled during the period.

Closing price of the units as at 30 September 2014 was HK\$44.75 (31 March 2014: HK\$38.15) per unit. Based on 2,293,242,269 units in issue as at 30 September 2014 (31 March 2014: 2,310,889,561 units), market capitalisation was HK\$102,623 million (31 March 2014: HK\$88,160 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

22 Reserves

	Hedging reserve (Unaudited) HK\$'M	Earnings retained for cash flow hedge adjustments (Unaudited) HK\$'M	Total reserves (Unaudited) HK\$'M
At 1 April 2014	(68)	68	–
Cash flow hedges:			
– Change in fair values	(13)	–	(13)
– Amount transferred to the condensed consolidated income statement (Note)	28	–	28
	15	–	15
Net assets attributable to Unitholders:			
– Amount arising from cash flow hedging reserve movement	–	(15)	(15)
<b>At 30 September 2014</b>	<b>(53)</b>	<b>53</b>	<b>–</b>

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).

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

### 23 Acquisition of Lions Rise Mall

On 18 August 2014, The Link REIT, through a wholly-owned subsidiary, entered into a sale and purchase agreement to acquire Lions Rise Mall from Bethan Company Limited, which is a wholly-owned subsidiary of Kerry Properties Limited at a cash consideration of HK\$1,380 million. The transaction was completed on 18 September 2014. The acquisition is expected to add value to The Link REIT's portfolio with potential for further growth in rental income and capital value.

Lions Rise Mall contributed revenues of HK\$2 million and NPI of HK\$1 million since the acquisition date, while such information before the acquisition date is not available to The Link REIT.

The fair value of the investment property and goodwill arising from the acquisition are as follows:

	<b>Fair value (Unaudited) HK\$'M</b>
Investment property acquired (Note 13) (Note)	1,320
Goodwill (Note 12)	60
	<hr/>
Cash outflow on acquisition	<b>1,380</b>
	<hr/> <hr/>
Acquisition-related costs (included in "General and administrative expenses" in the condensed consolidated income statement for the six months ended 30 September 2014)	<b>128</b>
	<hr/> <hr/>

Note: The investment property was valued at 13 August 2014 by CBRE Limited, the principal valuer of The Link REIT. This approximates the fair value of the investment property at the acquisition date.

### 24 Capital commitments

	<b>30 September 2014 (Unaudited) HK\$'M</b>	31 March 2014 (Audited) HK\$'M
Improvement projects to existing investment properties		
– Authorised but not contracted for	1,781	2,064
– Contracted but not provided for	683	483
	<hr/>	<hr/>
	<b>2,464</b>	<b>2,547</b>
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

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

The table set forth below summarises the names of the connected/related parties, as defined in the REIT Code/HKAS 24 (Revised) "Related Party Disclosures", and nature of their relationship with the Group as at 30 September 2014:

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
CBRE Limited (the "Principal Valuer")	The Principal Valuer of The Link REIT
Aedas Limited and its subsidiaries (the "Aedas Group") *	Associates# of director
Asia Pacific Real Estate Association Limited ("APREA") (Note (i))	Associate# of director
Contender Limited (Note (ii))	Associate# of director
Foundation for the Arts and Music in Asia Limited	Associate# of director
Hong Kong Youth Arts Foundation	Associate# of director
Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)")	Associate# of director
Standard Chartered Bank (Hong Kong) Limited ("SCBHK")	Associate# of director
The Chamber of Hong Kong Listed Companies	Associate# of director
Wing Hang Bank, Limited (currently known as OCBC Wing Hang Bank Limited) ("Wing Hang Bank") * (Note (ii))	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:

- (i) APREA was an associate of Mr George Kwok Lung HONGCHOY. After the cessation of Mr George Kwok Lung HONGCHOY as a director of APREA in August 2014, APREA ceased to be a connected party of The Link REIT.
- (ii) Wing Hang Bank and Contender Limited were associates of Dr Patrick FUNG Yuk Bun, who retired as a director on 1 August 2014 and since then, Wing Hang Bank and Contender Limited ceased to be connected parties of The Link REIT.

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

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

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

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

	<b>Six months ended 30 September 2014 (Unaudited) HK\$'M</b>	Six months ended 30 September 2013 (Unaudited) HK\$'M
Trustee's fee paid and payable to the Trustee (Note (ii))	(4)	(4)
Transactions with the HSBC Group (Note (iii))		
Interest expense and various financing charges to the HSBC Group on interest bearing liabilities, cross currency swap contract and interest rate swap contracts	(5)	(17)
Rental income from the HSBC Group on leasing of retail units	14	13
Interest income from the HSBC Group on short-term bank deposits	1	–
Valuation fee paid and payable to the Principal Valuer (Note (iv))	(1)	(1)
Architectural/renovation consultancy services fees paid and payable to the Aedas Group (Note (iii))	(6)	(1)
Project fee paid and payable to Hong Kong Youth Arts Foundation (Note (iii))	(1)	–
Transactions with ICBC (Asia) (Note (iii))		
Rental income from ICBC (Asia) on leasing of retail units	4	4
Interest income from ICBC (Asia) on short-term bank deposits	1	1
Transactions with SCBHK (Note (iii))		
Interest expense and various financing charges to SCBHK on interest bearing liabilities	(1)	(1)
Rental income from SCBHK on leasing of retail units	5	4
Interest income from SCBHK on short-term bank deposits	1	1
Transactions with Wing Hang Bank (Note (v))		
Interest income from Wing Hang Bank on short-term bank deposits	<u>1</u>	<u>1</u>

#### 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.
- (iv) CBRE Limited was appointed as the Principal Valuer of The Link REIT with effect from 17 November 2013. The former Principal Valuer, Jones Lang LaSalle Limited, was responsible for the property valuation of The Link REIT up till the period ended 30 September 2013. Valuation fee for the period ended 30 September 2014 of HK\$1 million was payable to CBRE Limited while valuation fee of HK\$1 million was paid to Jones Lang LaSalle Limited for the period ended 30 September 2013.

The transactions with the Principal Valuer were entered into at arm's length on normal commercial terms.

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

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

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

Notes (Continued):

- (v) Wing Hang Bank was an associate of Dr Patrick FUNG Yuk Bun, who retired as a director on 1 August 2014 and since then, Wing Hang Bank ceased to be a connected party of The Link REIT.

The transactions with Wing Hang Bank were entered into at arm's length on normal commercial terms.

#### (c) Balances with related parties

Balances with related parties are set out below:

	<b>30 September 2014 (Unaudited) HK\$'M</b>	31 March 2014 (Audited) HK\$'M
Trustee's fee payable to the Trustee	(1)	(1)
Interest bearing liabilities with the HSBC Group	(1,150)	(650)
Security deposits from the HSBC Group	(2)	(2)
Cross currency swap contract and interest rate swap contract with the HSBC Group	26	18
Deposits placed with the HSBC Group	<u>222</u>	<u>171</u>

#### (d) Key management compensation

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

	<b>Six months ended 30 September 2014 (Unaudited) HK\$'M</b>	Six months ended 30 September 2013 (Unaudited) HK\$'M
Fees	4	4
Basic salaries, allowances and other benefits	45	38
Long-term incentive plan awards	<u>34</u>	<u>4</u>
	<u>83</u>	<u>46</u>

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

The condensed consolidated interim financial information was authorised for issue by the Board on 12 November 2014.

## APPRECIATION

In the period under review, Mr Stanley KO Kam Chuen (“**Mr Stanley KO**”) and Dr Patrick FUNG Yuk Bun (“**Dr Patrick FUNG**”) retired, and Mr Peter TSE Pak Wing (“**Mr Peter TSE**”) and Ms Nancy TSE Sau Ling (“**Ms Nancy TSE**”) were appointed, as Independent Non-Executive Directors of the Manager. Mr Stanley KO and Dr Patrick FUNG both served on the Board since 2005 and played instrumental roles in the development of The Link REIT. The Board would like to thank both of them for their valuable contributions in the past nine years. At the same time, the Board is pleased to welcome Mr Peter TSE and Ms Nancy TSE whose extensive knowledge, experience and expertise will contribute to The Link REIT.

The Board’s appreciation goes further to the entire staff and management team for their professionalism, commitment and hard work throughout the period, and to our Unitholders for their continuous support and confidence in 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 2014 have been reviewed by the Audit Committee. The condensed consolidated interim financial information has also been reviewed by PricewaterhouseCoopers, 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 2014, The Link REIT and the Manager complied with the Code on Real Estate Investment Trusts, 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 (as amended by supplemental deeds) of The Link REIT and the compliance manual of the Manager which sets out the key processes, systems and measures and the corporate governance policy in respect of The Link REIT. The Link REIT and the Manager 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 adopted for the six months ended 30 September 2014 were generally in line with those in place for the year ended 31 March 2014 as disclosed in the corporate governance report of the Annual Report 2013/2014. Further details will be set out in the Interim Report 2014/2015 of The Link REIT.

## ISSUE OF NEW UNITS

1,764,208 new units were issued in the period pursuant to the long-term incentive plan of The Link REIT.

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

During the six months ended 30 September 2014, the Manager (on behalf of The Link REIT) bought back a total of 19,411,500 units on The Stock Exchange of Hong Kong Limited at an aggregate consideration (excluding expenses) of approximately HK\$886 million, details of which are as follows:

Month	Number of units bought back	Purchase price per unit		Aggregate consideration paid (excluding expenses) HK\$'M
		Highest HK\$	Lowest HK\$	
June 2014	1,927,000	42.20	41.45	81
August 2014	1,773,500	46.30	45.35	81
September 2014	15,711,000	47.30	44.50	724

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

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

## PUBLIC FLOAT

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

## INTERIM DISTRIBUTION AND CLOSURE OF REGISTER OF UNITHOLDERS

The interim distribution (including a discretionary distribution) of HK89.56 cents per unit in cash for the six months ended 30 September 2014 will be paid on Tuesday, 9 December 2014 to those Unitholders whose names appear on the register of Unitholders of The Link REIT on Monday, 1 December 2014. For the purpose of ascertaining Unitholders' entitlement to the interim cash distribution, the register of Unitholders of The Link REIT will be closed from Thursday, 27 November 2014 to Monday, 1 December 2014, both days inclusive, during which period no transfer of units will be registered. In order to qualify for the interim cash distribution, all transfer documents accompanied by the relevant unit certificates must be lodged with 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, 26 November 2014.



## DESPATCH OF INTERIM REPORT 2014/2015

The Interim Report 2014/2015 of The Link REIT will be despatched to Unitholders on Thursday, 27 November 2014.

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, 12 November 2014

*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*

William CHAN Chak Cheung

Eva CHENG LI Kam Fun

Anthony CHOW Wing Kin

May Siew Boi TAN

Peter TSE Pak Wing

Nancy TSE Sau Ling

David Charles WATT

Richard WONG Yue Chim

Elaine Carole YOUNG