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Link Real Estate Investment Trust

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

The board of directors (the **Board**) of Link Asset Management Limited (the **Manager**), as manager of Link Real Estate Investment Trust (**Link**), is pleased to report to unitholders (the **Unitholders**) the audited consolidated final results of Link and its subsidiaries (the **Group**) for the year ended 31 March 2016.

The final results and the consolidated financial statements of the Group for the year ended 31 March 2016, after review by the audit and risk management committee of the Manager (the **Audit and Risk Management Committee**), were approved by the Board on 8 June 2016.

OVERALL FINANCIAL RESULTS

During the year, revenue and net property income increased by 13.2% and 14.9% year-on-year to HK\$8,740 million (2015: HK\$7,723 million) and HK\$6,513 million (2015: HK\$5,669 million), respectively. Distribution per unit (**DPU**) for the year increased by 12.8% to HK206.18 cents (2015: HK182.84 cents), comprising an interim DPU of HK98.99 cents (2015: HK89.56 cents) and a final DPU of HK107.19 cents (2015: HK93.28 cents). The total DPU represents a distribution yield of 4.5% based on the closing market price of the units of HK\$46.00 on 31 March 2016. Valuation of the investment properties portfolio (including property under development and properties in Mainland China acquired during the year) continued to improve and reached HK\$160,672 million, representing an increase of 16.1% compared to 31 March 2015. Net asset value per unit grew 10.2% year-on-year to HK\$56.79 (31 March 2015: HK\$51.53).

MANAGEMENT DISCUSSION AND ANALYSIS

The past ten years have seen the transformation of Link from being a passive manager of a portfolio of legacy assets to becoming an innovative and world-class real estate investor and manager. At the end of this first decade, Link continues its strong performance that underpins the solid and exciting foundation for its future growth. This financial year was active and productive, seeing us capitalise on a number of unique and high potential investment opportunities. We launched our new brand, the culmination of a two-year effort to articulate who we are and what our business purpose is. This is critical in guiding and steering the organisation in years to come.

Our business continues to deliver strong financial results as we enter the next decade of growth with good momentum. This is due to the solid foundation in governance and transparency of action, which provide the platform from which our Board and executive management can initiate strategy and the appropriate changes.

Our strategic priorities bring focus to our growth drivers, our capital management, how we grow our organisation and how we link people to a brighter future. While these priorities underscore our management decision-making, the programmes and initiatives to deliver them are resilient to the markets and environments in which we operate.

Building a More Productive and Higher Quality Portfolio

This financial year marked an important year on improving the quality of our portfolio, positioning ourselves for increased productivity and sustainable future growth. With the goal of creating a better return for our Unitholders, we continue to create value through a careful blend of asset management, asset enhancement, asset acquisition, asset disposal and property development. On top of continuing on our core strengths in refining tenant mix and enhancing our existing properties in Hong Kong, we have disposed of some of our non-core properties and added two properties with higher growth potential in Mainland China during the year.

Asset Management

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

Retail

Despite a challenging economic environment affecting Hong Kong, our retail portfolio has demonstrated its resilience. We achieved growth in nearly all areas of our retail operations due largely to our active leasing strategy to attract more productive tenants, especially in the “Food and Beverage” sector, and cut down large shops into smaller shops to enhance tenant sales productivity. Occupancy rate for the portfolio as at 31 March 2016 reached 96.0%. We achieved a reversion rate of 25.9% and recorded a 6.7% year-on-year retail rental growth.

Operational Statistics of the Retail Portfolio

	Occupancy rate		Reversion rate		% of total area ⁽¹⁾
	As at 31 March 2016 %	As at 31 March 2015 %	Year ended 31 March 2016 %	Year ended 31 March 2015 %	As at 31 March 2016 %
Shops	97.1	96.5	29.0	23.3	82.9
Markets/Cooked Food Stalls	89.1	86.4	10.4	12.0	8.8
Education/Welfare and Ancillary	92.4	87.2	14.3	20.0	8.3
Total	96.0	94.8	25.9	22.0	100.0

Note:

⁽¹⁾ Total excluding self use office.

After careful study of our portfolio with a bottom up approach to ensure we drive operational performance effectively in the long run, we have segmented our Hong Kong portfolio into three groups, namely Destination, Community and Neighbourhood. By segmenting the portfolio into different groups, management and marketing can be tailored to different types of tenants and shoppers.

Performance of our properties validates our strategy. Our Destination Shopping Centres contributed to 17.1% of the portfolio’s retail rentals, while the remaining properties also continued to demonstrate year-on-year improvement in average monthly unit rent.

Retail Portfolio Breakdown

Properties	No. of properties	Retail properties valuation	Retail rentals	Average monthly unit rent ⁽¹⁾		Occupancy rate	
		As at 31 March 2016 HK\$'M	Year ended 31 March 2016 HK\$'M	As at 31 March 2016 HK\$ psf ⁽²⁾	As at 31 March 2015 HK\$ psf ⁽²⁾	As at 31 March 2016 %	As at 31 March 2015 %
Destination	6 ⁽³⁾	21,463	1,044	70.8	62.3	97.3	96.7
Community	38	58,590	3,013	60.8	55.8	97.0	96.2
Neighbourhood	95	34,439	1,998	34.9	32.8	94.8	93.3
5 Properties Disposed	—	—	40	—	25.1	—	91.9
Total	139	114,492	6,095	50.0	45.4	96.0	94.8

Notes:

- (1) Average monthly unit rent represents the average base rent plus management fee per month per square foot of leased area.
- (2) psf means per square foot.
- (3) Temple Mall North (formerly Lung Cheung Plaza) and South (formerly Wong Tai Sin Plaza) and H.A.N.D.S (formerly On Ting Commercial Complex and Yau Oi Commercial Centre) have been merged together, rebranded and are considered as 2 Destination Shopping Centres.

With over 30% of leases (by monthly rent) expiring in the coming year, we are working closely with our existing tenants to ensure their success and loyalty and also engaging with potential new tenants which may enhance the product mix and service offering.

Portfolio Lease Expiry Profile

(As at 31 March 2016)

	% of total area %	% of monthly rent %
2016/2017	26.8	30.6
2017/2018	23.4	27.5
2018/2019 and Beyond	39.3	37.2
Short-term Lease and Vacancy	10.5	4.7
Total	100.0	100.0

Car Parks

As one of the largest car park owners in Hong Kong, we continue to see strong demand in car park spaces due to the growth in registered private cars that is complemented by stagnant growth in car park spaces. The increased demand, coupled with increased visitation to our enhanced shopping centres, have underpinned the strong performance of our car park business throughout the year. Individual car park income per space per month increased by 14.4% to HK\$2,022 for the year ended 31 March 2016.

To improve performance and operations, we incurred capital expenditures to upgrade our car park facilities such as tailgating system, patrol management and directional signage at various properties. The 10-year car park refurbishment programme started since 2013 with a total investment of approximately HK\$300 million has been progressing well.

Key Car Park Performance Indicators

	Year ended 31 March 2016	Year ended 31 March 2015
Car park income per space per month (HK\$)	2,022	1,767
Net property income margin (%)	71.8	70.3
	As at 31 March 2016	As at 31 March 2015
Total valuation (HK\$'M)	28,888	25,177
Average valuation per space (HK\$'000)	384	330

Moving Forward

On 1 April 2016, we rolled out a new Asset Management Model for 20 properties that form five unique clusters comprising Destination and Community Shopping Centres.

Under this Model, a dedicated Asset Manager will oversee the operational and financial planning of all assets within a cluster in order to enhance net property income and asset value. The Asset Managers have to formulate “asset focus” plans to manage the leasing, cost control and long-term positioning of the assets to meet evolving community needs. The holistic approach will increase operational efficiency, enhance resource allocation, improve customer experience and create better value.

Mainland China Portfolio

We completed the acquisitions of EC Mall in Beijing in April 2015 and Corporate Avenue 1 & 2 in Shanghai in August 2015. Located in the middle of Zhongguancun, the “Silicon Valley of China”, EC Mall is a regional destination mall offering mass market retail products. With strong demand, EC Mall recorded exceptional performance with occupancy rate reaching 100% as at 31 March 2016 and retail reversion rate of 38.7% during the financial year.

EC Mall Retail Lease Expiry Profile

(As at 31 March 2016)

	% of total area %	% of monthly rent %
2016/2017	24.2	28.7
2017/2018	22.1	30.0
2018/2019 and Beyond	53.7	41.3
Total	100.0	100.0

Corporate Avenue 1 & 2 is situated in Xintiandi, one of the most renowned and affluent core business districts in Shanghai. With excellent hardware and grade-A specifications, Corporate Avenue 1 & 2 continued to be the preferred choice for both local and multi-national corporations to house their Shanghai offices. Office reversion rate for the year was 12.8% while occupancy rate was 100% as at 31 March 2016.

Corporate Avenue 1 & 2 Office Lease Expiry Profile

(As at 31 March 2016)

	% of total area %	% of monthly rent %
2016/2017	38.0	37.7
2017/2018	15.2	17.6
2018/2019 and Beyond	46.8	44.7
Total	100.0	100.0

Given its high quality and prime location, Corporate Avenue 1 & 2 is pre-leasing well to mitigate any risks of increase in office supply in 2017/2018. About half (by area) of the leases expiring in 2016/2017 has already been committed as at 31 March 2016.

Asset Enhancement

Expertise in asset enhancement has contributed to our success throughout the years. Our original portfolio in Hong Kong has an average age of 25 years, implying many of the properties require revitalisation to create better value. With careful planning and execution of asset enhancement, we do not only provide an enhanced retail environment for tenants and shoppers, but also bring in a better shopping experience and more offerings for the community. Our asset enhancement programme continues to focus on enhancing shopping centre performance, capitalising on changing district demographics, creating and delivering a consistent brand image, and improving utilisation of retail space.

Our ongoing asset enhancement works improve the layout, efficiency and facilities of the properties. Our investment in enhancing the smaller properties – those ranking beyond the top 50 by valuation – also demonstrates our commitment and focus across our entire portfolio.

In the year under review, we completed five asset enhancement projects, including Tsing Yi Commercial Complex, Temple Mall North, Long Ping Commercial Centre, Wo Che Plaza and Tin Shing Shopping Centre. Different upgrades for these properties, ranging from simple refurbishment to major enhancement works, all have generated satisfactory returns on investment.

Return on Investment of Asset Enhancement Projects Completed in the Year Ended 31 March 2016

	Total area as at 31 March 2016 '000 sq ft	Total project capex HK\$'M	Estimated return on investment ⁽¹⁾ %
Tsing Yi Commercial Complex ⁽³⁾	55	105	15.6
Temple Mall North ⁽²⁾	140	306	15.5
Long Ping Commercial Centre ⁽³⁾	89	133	17.1
Wo Che Plaza ⁽²⁾	181	36	23.5
Tin Shing Shopping Centre ⁽²⁾⁽⁴⁾	76	195	15.6
Total		775	

Notes:

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

Temple Mall North (previously Lung Cheung Plaza) in Wong Tai Sin was rebranded and serves as a new Destination Shopping Centre in Central Kowloon next to Wong Tai Sin Temple, one of the top tourist attractions in Hong Kong. The upgrade included a refurbished interior featuring higher ceiling, a more spacious shopping environment and an increased number of shops. The atrium was revamped to enhance the decor and to cater for organising different types of marketing activities. We have also rebranded Wong Tai Sin Plaza, which is connected to Temple Mall North by a footbridge, as Temple Mall South. These two connected shopping centres are currently operated as one mall to drive synergies, reduce the duplication in trades and tenants and offer a wider variety of choices for shoppers. With the new façade and the lantern-inspired design elements, Temple Mall is now more appealing to visitors to the adjacent Wong Tai Sin Temple and vehicles passing along Lung Cheung Road.

Given the changes in demographics resulting from newly completed residential projects nearby, asset enhancement works for Tsing Yi Commercial Complex and Long Ping Commercial Centre were completed to enhance the business environment for tenants and widen the range of offerings to shoppers to appeal to their diverse needs. Tin Shing Shopping Centre has been reconfigured and its fresh market has been repositioned into a regional fresh market serving the Tin Shui Wai district.

Continuing this proven asset enhancement strategy, we have 11 enhancement projects underway with another 8 projects to commence and over 16 other projects currently undergoing review, taking our asset enhancement pipeline well into 2020.

Asset Enhancement Pipeline

	Number of projects	Estimated costs <i>HK\$'M</i>
Underway	11	1,386
Pending statutory approval	8	808
Others under planning	>16	> 1,300
Total	>35	> 3,494

Approved Asset Enhancement Projects Underway

	Estimated costs <i>HK\$'M</i>	Target completion date
Tin Chak Shopping Centre ⁽¹⁾	26	Mid 2016
Lei Tung Commercial Centre ⁽²⁾	83	Mid 2016
Butterfly Plaza ⁽¹⁾⁽³⁾	329	Mid 2016
Hau Tak Shopping Centre ⁽¹⁾	174	Late 2016
Tai Hing Commercial Centre ⁽²⁾	75	Late 2016
Sau Mau Ping Shopping Centre ⁽¹⁾	72	Late 2016
Wah Ming Shopping Centre ⁽²⁾	72	Early 2017
Tin Yiu Plaza ⁽¹⁾	164	Early 2017
Fu Tung Plaza ⁽¹⁾	30	Early 2017
Lung Hang Commercial Centre ⁽²⁾	81	Mid 2017
Chung Fu Plaza ⁽¹⁾	280	Mid 2017
Total	1,386	

Notes:

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

Asset Acquisition

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

During the year, we completed the acquisition of EC Mall in Beijing in April 2015 and Corporate Avenue 1 & 2 in Shanghai in August 2015. These two new properties in Mainland China are in line with our strategy of expanding geographically by adding assets with better growth potential.

In February 2016, we announced the acquisition of 700 Nathan Road in Mong Kok, Hong Kong through a government tender. Completion of the acquisition took place subsequent to financial year end on 15 April 2016. The property is situated in a prime location at the heart of Kowloon Peninsula with excellent connectivity including the railway, buses and minibuses. Given the location and catchment, we believe it is ideal for mass market retail, food and beverages, and service trades. The property will require a renovation to convert it into a modern retail podium and tower. This is an attractive opportunity to leverage on Link's expertise in asset enhancement and mass market retail leasing. As we continue to remain focused on Hong Kong retail, it will be consistent with our objective to increase Link's share of the shoppers' wallet in the same mass market catchment that Link has been serving in the last ten years.

Asset Disposal

Enhancing the quality of our portfolio also means exiting our non-core assets, which supports several value creation opportunities such as repayment of debts, funding unit buy-backs, funding investments in assets with better growth prospects and enhancing Unitholder return.

During the year, we have continued to review and streamline our property portfolio and completed the sale of five properties in December 2015 at a premium of 30% to the aggregate appraised values as at 30 September 2015. Announcements on further disposals of nine properties were also made on 31 March 2016 and 11 April 2016, respectively. Two of the properties were disposed of at a total consideration of HK\$1,690 million, representing a premium of 15% to the aggregate appraised values as at 31 March 2016, while the remaining seven properties were disposed of at a 23% premium to the aggregate appraised values as at 31 March 2016 at a total consideration of HK\$1,962 million. These disposals were completed subsequent to the financial year end on 31 May 2016. Our operational efficiency has also been enhanced through the headcount review process.

Property Development

Working with our partner Nan Fung Development Limited, Link currently has one commercial development project underway on Hoi Bun Road in Kowloon East, Hong Kong. This top of the class grade-A commercial property is on schedule to be completed in 2019.

During the year under review, we started the foundation works for the project and the construction works are on schedule. In addition to targeting HK-BEAM Platinum and LEED Platinum certification, the property is also one of the first commercial projects in Hong Kong to be registered as a WELL Building Standard project which focuses on ensuring human health and wellness in the built environment.

Maintaining a Prudent and Flexible Capital Structure

Prudent and effective capital management is essential for Link to meet our strategic objectives and maximise Unitholder value. It provides us with a solid foundation for sustainable long-term growth. We aim to utilise an optimal mix of capital tools including bank borrowing, capital markets debt issuances and asset disposals. Our capital management framework has evolved and strengthened over the years but remains focused on optimising long-term capital structure, maintaining strong credit ratings to secure low funding cost, mitigating refinancing risks by extending debt maturity profile, and limiting exposure to interest rate volatility.

2015 was another year of volatile financial markets. Market interest rate expectation increased sharply in November 2015 and the US Federal Reserve increased the Federal Fund Target Rate for the first time in nine years by 0.25% in December 2015. The US economy was on a track of recovery with the unemployment rate falling to 4.9% in January 2016. However, moving into the first quarter of 2016, the decline in oil price, the increased risk of global economic slowdown and the deeper negative interest rates imposed by the European Central Bank and the Bank of Japan held back further action by the US Federal Reserve. Hong Kong dollar interest rates remained benign across the yield curve. In the Hong Kong banking market, ample market liquidity coupled with contraction in the overall loan demand resulted in loan margin compression. During the year under review, we continued to be disciplined in capital management. We took advantage of the favourable banking market and arranged a total of HK\$17.5 billion new bank facilities, including HK\$6.4 billion of term loan and HK\$11.1 billion of revolving loan, from a total of 16 banks. Loan tenors spanned from three to five and a half years at the all-in costs of HIBOR + 0.75% to 1.25% per annum. In addition, four tranches of Hong Kong Dollar notes were issued under the Medium Term Note (*MTN*) Programme for a total of HK\$2.1 billion, with tenors of seven to ten years and at coupon rates of 2.67% to 3.15% per annum. Following the repayment of the final HK\$1 billion tranche of secured loan from The Hong Kong Mortgage Corporation Limited, all of the Group's borrowings are unsecured as at year end.

The Group's total debt increased to HK\$27.0 billion as at 31 March 2016 (31 March 2015: HK\$17.1 billion) with the gearing ratio at 16.5% (31 March 2015: 11.9%). The average life of our committed debt facilities remained steady at 5.0 years (31 March 2015: 5.2 years). As at 31 March 2016, the Group had available liquidity of HK\$8.1 billion (31 March 2015: HK\$6.4 billion), comprising HK\$0.5 billion (31 March 2015: HK\$3.4 billion) in cash and deposits and HK\$7.6 billion (31 March 2015: HK\$3.0 billion) in committed but undrawn facilities.

Committed Debt Facilities ⁽¹⁾

(As at 31 March 2016)

(HK\$ billion)	Fixed rate debt ⁽²⁾	Floating rate debt ⁽²⁾	Utilised facilities	Undrawn facilities	Total committed facilities
Unsecured loan	7.4	5.9	13.3	7.6	20.9
MTN ⁽³⁾	9.7	4.0	13.7	–	13.7
Total	17.1	9.9	27.0	7.6	34.6
Percentage	63%	37%	78%	22%	100%

Notes:

⁽¹⁾ All amounts are at face value.

⁽²⁾ After interest rate swaps.

⁽³⁾ MTN means medium term notes.

On interest rate management, we increased the portion of fixed rate debt to gross debt to 63% (31 March 2015: 59%) and maintained the average life of fixed rate debt, representing the average period of interest rate protection provided by fixed rate debt, steady at 6.9 years (31 March 2015: 7.2 years). Our effective interest cost of the Group's debt portfolio as at 31 March 2016 decreased to 2.57% (31 March 2015: 2.66%).

Facility Maturity Profile ⁽¹⁾

(As at 31 March 2016)

Due in	Unsecured bank loans HK\$ billion	MTN HK\$ billion	Undrawn facilities HK\$ billion	Total HK\$ billion
2016/2017	–	1.0	–	1.0
2017/2018	–	0.3	1.5	1.8
2018/2019	3.4	1.1	0.1	4.6
2019/2020	3.9	1.3	1.7	6.9
2020/2021 and beyond	6.0	10.0	4.3	20.3
Total	13.3	13.7	7.6	34.6

Note:

⁽¹⁾ All amounts are at face value.

As part of Link's capital recycling strategy, we used part of the proceeds from property disposals to buy back 50.2 million units during the year at an average price of HK\$43.74 per unit, which is equivalent to 23% discount to net asset value per unit as at 31 March 2016 of HK\$56.79.

Link's credit ratings were affirmed by Standard & Poor's and Moody's at "A" and "A2" respectively on 23 February 2016 and 14 March 2016 respectively.

Developing a Strong Management Team

Link seeks to be an employer of choice by creating a working environment with strong respect for people. Our human resources strategy reflects this through its value proposition to attract, retain, motivate and reward a diverse team of industry professionals. In this, we have gained substantial headway, building an agile and innovative team that effectively manages our business while using foresight and professional judgment to identify emerging risks and opportunities.

As at 31 March 2016, we have 883 employees. Our staff attrition rate for the year at 21.1% was roughly in line with the previous few years. More importantly, we achieved a near-zero attrition rate for the staff with high performance rating, reflecting the success of our human resources strategy.

We engage our employees through a variety of channels to gauge their career aspirations and what is important to them in their jobs. It guides us to develop new and innovative programmes to help staff develop and grow. We have a designated staff newsletter and intranet portal that allows employees to speak up and communicate on a regular basis. Feedback is solicited each year through our annual Vision, Mission, Values survey. This year, approximately 92% of our employees responded. In response to the survey findings and to encourage better work-life balance, a staff volunteer committee and a set of guidelines were formalised to encourage more staff to volunteer at different community events and activities, particularly under Link Together Initiatives.

Link believes in providing career paths for promising candidates. We promote from within as much as possible to enhance career development opportunities and retain our top performers. With our expanded growth drivers and new Asset Management Model of property services, we offer diverse opportunities that better align with personal career aspirations. Link provides a wide variety of training and personal improvement programmes on management, technical and personal skills to better prepare our management undertake the role and responsibilities for a chosen job. The Performance Management System forms the key component of the staff appraisal system in which individuals are assessed against a set of KPIs and the implementation of our core values (Respect, Excellence, Integrity and Teamwork).

Health and well-being of our staff enhances productivity. Our work place injury rate this year was 1.3%, a decrease of 0.6% from 1.9% last year. We launched several personal awareness workshops and numerous after work activities for our people to enhance work-life balance. In addition, professional personal counselling is available via a 24-hour hotline and consultation services to staff and their families for any difficulties in relation to work, personal life or family matters.

In line with being a world-class real estate investor and manager, we have a strict policy of non-discrimination in employment and we encourage diversity. Currently, close to half of our workforce is female. 3 of our 10-member management team and 4 of our 14 Board members are female. We are the first REIT in Asia to endorse the Women's Empowerment Principles, a collaboration between United Nations Women and the United Nations Global Compact, and are committed to implementing the principles at all levels of our business. Our employees are spread relatively evenly across age groups, reflecting the general employment trends in Hong Kong.

To execute our Asset Management Model, we have established a team of five Asset Managers with a mix of in-house and external talents. The Asset Managers will have overall control of how their property portfolios are managed, and our existing property management and leasing teams will support their operations. As such, a set of shared Asset Manager and department KPIs are being established to facilitate the success of the Asset Management Model while ensuring the ongoing performance of the remaining property portfolio is not affected.

Helping our Tenants and Communities Grow while Delighting Shoppers

By supporting the development of our tenants, creating lifestyle experiences for our shoppers and contributing towards building thriving communities, we are investing in Link's long-term future. When communities do well, we do well.

Growing with our Tenants

In Hong Kong, we have over 11,000 carefully selected tenancies and licences that offer a vibrant retail mix to meet the needs of the local community, and attract shoppers from nearby districts. Our approach is rooted in developing strong relationships with existing and potential tenants, supplemented by extensive district level analysis and tenant surveys to identify opportunities for improvement in our facilities and services. We understand that working with reputable and quality tenants drives footfall to our properties and offers customers the brands and products they seek. This strategy extends benefits to our smaller independent businesses and attracts new retailers into our shopping centres.

We regularly engage with prospective tenants to understand their businesses and identify how their operations can add value to our existing trade mix. New tenants have the potential to enrich our trade varieties and increase our brand offerings, thereby increasing the attractiveness of our shopping centres.

Hong Kong Portfolio Retail Trade Mix

(As at 31 March 2016)

Trade	By leased area %	By monthly rent %
Food and Beverage	29.6	26.4
Supermarket and Foodstuff	18.6	21.9
Markets/Cooked Food Stalls	8.1	14.1
Services	9.2	10.7
Personal Care/Medicine	4.0	6.3
Education/Welfare and Ancillary	8.1	1.2
Valuable goods (Jewellery, watches and clocks)	0.3	0.7
Others ⁽¹⁾	22.1	18.7
Total	100.0	100.0

Note:

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

As a result of our continuous efforts in refining trade mix and improving tenant business environment, during the year under review, our Hong Kong portfolio tenants' average monthly retail gross sales per square foot continue to improve and rose by 5.2% as compared to the last financial year. "Food and Beverage" and "Supermarket and Foodstuff", the dominant daily necessity trades in the Hong Kong portfolio, posted a year-on-year growth in gross sales psf of 10.6% and 0.8%, respectively, while "General Retail" recorded an increase of 4.8%.

Rent to sales ratio is another metric that we are keeping track of in managing our business. Rent to sales ratio of the Hong Kong portfolio was 11.7% for the year. Looking into different trade categories, rent to sales ratio for "Food and Beverage", "Supermarket and Foodstuff" and "General Retail" recorded 11.6%, 9.9% and 14.1%, respectively.

Link supports tenants' business development through Link Tenant Academy and with regular seminars and workshops. The academy imparts valuable business know-how, latest retail and service trends and shares operational improvement tips. Over the financial year, we offered 15 well-attended events with over 2,000 participants in aggregate.

Community Enrichment

Link Together Initiatives is our flagship charity and community engagement programme through which we support selected non-profit projects that seek to improve livelihoods of local communities. Link earmarks 0.25% of net property income from the previous financial year on an annual basis to fund the projects. During the financial year, HK\$10 million was allocated to various projects.

The programme focuses on three social groups: youth, elderly and children. In addition to the established Service Fund and the Barrier-free Orienteering programme, Link introduced two new schemes, the Neighbourhood Project Fund and Link First Generation University Student Scholarship during the year.

During the year, Link donated HK\$2 million to Link First Generation University Student Scholarship. A total of 100 students received scholarship grants via the project consultant HKCSS WiseGiving Limited.

The Neighbourhood Project Fund enables a wider reach and closer connection to local neighbourhoods through small projects that cater to a specific area's needs. During the year, a total of HK\$3.4 million was granted to 37 projects across 16 districts that were selected by a panel comprising 21 community leaders including District Council Chairmen and Vice-chairmen, District Council members, representatives from District Offices and The Hong Kong Council of Social Service, benefiting some 70,000 people. The Service Fund, in its third year, supported seven community projects for a total of HK\$4.2 million.

FINANCIAL REVIEW

2015/2016 has been an extremely busy and productive year, which has resulted in one of our strongest sets of financial results.

Hong Kong Portfolio

Revenue Analysis

Total revenue rose to HK\$8,319 million (2015: HK\$7,723 million), comprising rental income from retail properties of HK\$6,095 million (2015: HK\$5,711 million), car parks of HK\$1,846 million (2015: HK\$1,656 million) and other property related revenue of HK\$378 million (2015: HK\$356 million). Retail rentals have continued to increase strongly against last year supplemented by the satisfactory reversion and the opening of Temple Mall North in November 2015. Car park rentals have also improved in view of the parking tariff increase and the increase in the number of monthly tickets sold.

Revenue breakdown

	Year ended 31 March 2016 <i>HK\$'M</i>	Year ended 31 March 2015 <i>HK\$'M</i>	Year-on-year change %
Retail rentals:			
Shops ⁽¹⁾	4,974	4,638	7.2
Markets/Cooked Food Stalls	805	767	5.0
Education/Welfare and Ancillary	147	145	1.4
Mall Merchandising	169	161	5.0
Car parks rentals:			
Monthly	1,381	1,224	12.8
Hourly	465	432	7.6
Expenses recovery and other miscellaneous revenue:			
Property related revenue ⁽²⁾	378	356	6.2
Total revenue	8,319	7,723	7.7

Notes:

- ⁽¹⁾ Rental from shops included base rent of HK\$4,840 million (2015: HK\$4,469 million) and turnover rent of HK\$134 million (2015: HK\$169 million), respectively.
- ⁽²⁾ Property related revenue included other revenue from retail properties of HK\$374 million (2015: HK\$353 million) and car parks of HK\$4 million (2015: HK\$3 million).

Expense Analysis

We have managed to maintain our total property operating expenses increase for the year at 3.1% through the implementation of a series of cost control measures. Even with an 8.3% increase of statutory minimum wage from HK\$30.0 to HK\$32.5 per hour in May 2015, property managers' fees, security and cleaning expenses grew only at a moderate 4.7% due to better work planning and efficiency improvement. Decrease in staff costs was mainly due to a lower accrual for the long-term incentive plan as a result of a drop in the closing unit price as at 31 March 2016 against that of 31 March 2015. Energy consumption reduction continued to be our focus and we have successfully reduced our usage during the year. Uplift in government rent and rates was generally in line with revenue growth while promotion and marketing expenses increased mainly due to the launch of our new brand identity during the year. As a result of all these efforts, net property income margin further improved to 74.6% (2015: 73.4%).

Property Operating Expenses Breakdown

	Year ended 31 March 2016 <i>HK\$'M</i>	Year ended 31 March 2015 <i>HK\$'M</i>	Year-on-year change %
Property managers' fees, security and cleaning	580	554	4.7
Staff costs	365	381	(4.2)
Repair and maintenance	213	201	6.0
Utilities	298	300	(0.7)
Government rent and rates	271	236	14.8
Promotion and marketing expenses	117	108	8.3
Estate common area costs	118	113	4.4
Other property operating expenses	155	161	(3.7)
Total property operating expenses	2,117	2,054	3.1

Mainland China Portfolio

During the year under review, we completed the acquisitions of EC Mall in Beijing on 1 April 2015 and Corporate Avenue 1 & 2 in Shanghai on 31 August 2015. These newly acquired properties in Mainland China contributed revenue of HK\$421 million and net property income of HK\$311 million to the Group's results.

Valuation Review

Total value of our investment properties (including property under development and properties in Mainland China acquired during the year) increased 16.1% from HK\$138,383 million as at 31 March 2015 to HK\$160,672 million as at 31 March 2016. Value of the Hong Kong retail properties increased 6.7% to HK\$114,492 million (31 March 2015: HK\$107,326 million) while value of the car parks increased 14.7% to HK\$28,888 million (31 March 2015: HK\$25,177 million). The increase in value of the retail properties and car parks in Hong Kong was mainly driven by the increase in net property income and improved property conditions after asset enhancement.

Value of the Hong Kong property under development in Kowloon East also increased to HK\$6,300 million (31 March 2015: HK\$5,880 million) while newly acquired properties in Mainland China were valued at HK\$10,992 million as at 31 March 2016. CBRE Limited, the Principal Valuer, valued our completed properties as at 31 March 2016 using a combination of income capitalisation and discounted cash flow (*DCF*) approaches as the primary valuation methodologies. For the property under development, the residual method was used. When valuing both completed and under development properties, the Principal Valuer has also made reference to market transactions and comparables.

Valuation approach

	As at 31 March 2016	As at 31 March 2015
Income Capitalisation Approach – Capitalisation Rate		
Hong Kong		
Retail properties: weighted average	4.54%	4.57%
Car parks: weighted average	4.78%	4.78%
Overall weighted average	4.59%	4.61%
Mainland China ⁽¹⁾		
Retail properties	4.50 – 5.00%	N/A
Office properties	4.00%	N/A
DCF Approach – Discount Rate		
Hong Kong		
	7.50%	7.50%
Mainland China ⁽¹⁾		
Retail properties	8.00 – 9.00%	N/A
Office properties	7.50%	N/A

Note:

- ⁽¹⁾ Acquisitions of EC Mall in Beijing and Corporate Avenue 1 & 2 in Shanghai were completed on 1 April 2015 and 31 August 2015, respectively.

OUTLOOK AND STRATEGY

Our efforts in past years have solidified our foundation and enable us to address near term challenges while being agile to capture longer term growth opportunities. In the coming year, business prospects remain opportune. Based on our growth plans coupled with prudent capital management, we see further untapped opportunities to improve asset productivity. Supported by our unique strengths in resilience and innovation, we are able to fast track new projects without compromise to our commitment to quality, green and sustainable infrastructures.

We are confident that through continual engagement with stakeholders, the value we are creating will be more widely acknowledged. By quantifying the issues material to their expectations, we can build and operate properties that are attractive, relevant and integral to local community livelihood and development.

Our optimism is nonetheless realistic. We expect the prevailing economic, social and environmental challenges to disrupt business as usual. However, with our Board's wealth of expertise and strong governance foundation and dedicated team, we are confident in improving our performance and again delivering enhanced value to our Unitholders.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 HK\$'M	2015 HK\$'M
Revenue	2	8,740	7,723
Property operating expenses		<u>(2,227)</u>	<u>(2,054)</u>
Net property income		6,513	5,669
General and administrative expenses		(368)	(437)
Change in fair values of investment properties		<u>11,263</u>	<u>22,699</u>
Operating profit	4	17,408	27,931
Interest income		6	32
Finance costs		(508)	(359)
Gains on disposals of investment properties		<u>396</u>	<u>445</u>
Profit before taxation and transactions with Unitholders		17,302	28,049
Taxation	5	<u>(953)</u>	<u>(819)</u>
Profit for the year, before transactions with Unitholders		16,349	27,230
Distributions paid to Unitholders:			
– 2015 final distribution		(2,138)	–
– 2016 interim distribution		(2,230)	–
– 2014 final distribution		–	(1,976)
– 2015 interim distribution		–	(2,054)
		<u>11,981</u>	<u>23,200</u>
Represented by:			
Change in net assets attributable to Unitholders, excluding issues of new units and units bought back		11,404	23,217
Amount arising from cash flow hedging reserve and exchange reserve movements		523	(17)
Non-controlling interest		<u>54</u>	–
		<u>11,981</u>	<u>23,200</u>
Profit for the year, before transactions with Unitholders attributable to			
– Unitholders (<i>Note (i)</i>)	6	16,295	27,230
– Non-controlling interest		<u>54</u>	–

Notes:

- (i) Earnings per unit, based upon profit after taxation and before transactions with Unitholders attributable to Unitholders and the weighted average number of units in issue, is set out in Note 6 to the consolidated financial statements.
- (ii) Total Distributable Income (as defined in the Trust Deed constituting Link (the **Trust Deed**)) is determined in the consolidated statement of distributions. The final distribution declared in respect of this year as set out in the consolidated statement of distributions will be paid to Unitholders on 7 July 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Before transactions with Unitholders HK\$'M	Transactions with Unitholders (Note (i)) HK\$'M	After transactions with Unitholders (Note (ii)) HK\$'M	Non- controlling interest HK\$'M	Total HK\$'M
For the year ended 31 March 2016					
Profit for the year	16,295	(15,772)	523	54	577
Other comprehensive income					
Items that may be reclassified subsequently to the consolidated income statement					
– Cash flow hedging reserve	(299)	–	(299)	–	(299)
– Exchange reserve	(224)	–	(224)	–	(224)
Total comprehensive income for the year	<u>15,772</u>	<u>(15,772)</u>	<u>–</u>	<u>54</u>	<u>54</u>
For the year ended 31 March 2015					
Profit for the year	27,230	(27,247)	(17)	–	(17)
Other comprehensive income					
Item that may be reclassified subsequently to the consolidated income statement					
– Cash flow hedging reserve	17	–	17	–	17
Total comprehensive income for the year	<u>27,247</u>	<u>(27,247)</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

- (i) Transactions with Unitholders comprise the distributions to Unitholders of HK\$4,368 million (2015: HK\$4,030 million) and change in net assets attributable to Unitholders, excluding issues of new units and units bought back, of HK\$11,404 million (2015: HK\$23,217 million).
- (ii) In accordance with the Trust Deed, Link is required to distribute to Unitholders not less than 90% of Total Distributable Income for each financial year. 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 YEAR ENDED 31 MARCH 2016

	2016 HK\$'M	2015 HK\$'M
Profit for the year, before transactions with Unitholders attributable to Unitholders	16,295	27,230
Adjustments:		
– Change in fair values of investment properties attributable to Unitholders	(11,209)	(22,699)
– Deferred taxation on change in fair values of investment properties attributable to Unitholders	24	–
– Other non-cash income	(101)	(46)
– Depreciation charge on investment properties under China Accounting Standards	(67)	–
– Gains on disposals of investment properties, net of transaction costs	(375)	(421)
Total Distributable Income (Note (i))	4,567	4,064
Discretionary distribution (Note (ii))	67	128
Total Distributable Amount	4,634	4,192
Interim distribution, paid	2,230	2,054
Final distribution, to be paid to the Unitholders	2,404	2,138
Total distributions for the year (Note (iii))	4,634	4,192
Total Distributable Amount as a percentage of Total Distributable Income	101%	103%
Units in issue at 31 March	2,243,148,136	2,291,770,269
Distributions per unit to Unitholders:		
– Interim distribution per unit, paid (Note (iv))	HK98.99 cents	HK89.56 cents
– Final distribution per unit, to be paid to the Unitholders (Note (v))	HK107.19 cents	HK93.28 cents
Distribution per unit for the year	HK206.18 cents	HK182.84 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 year, before transactions with Unitholders attributable to Unitholders) adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated income statement for the relevant year. Link is required to ensure that the total amount distributed to Unitholders as distributions for each financial year 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% (2015: 100%) of Total Distributable Income as the distribution for the year ended 31 March 2016.
- (ii) Discretionary distribution refers to any additional amount to be distributed as determined by the Manager pursuant to clause 13.4 of the Trust Deed. The Manager recommended a discretionary distribution relating to the adjustment for depreciation charge on investment properties under China Accounting Standards during the year as part of the distribution. For the year ended 31 March 2015, the discretionary distribution was related to the transaction costs incurred for the acquisition of an investment property during the year.
- (iii) The interim distribution was paid to Unitholders on 4 December 2015. The final distribution will be paid to Unitholders on 7 July 2016.
- (iv) The interim distribution per unit of HK98.99 cents for the six months ended 30 September 2015 is calculated based on the interim distribution of HK\$2,230 million for the period and 2,252,468,136 units in issue as at 30 September 2015. The interim distribution per unit of HK89.56 cents for the six months ended 30 September 2014 was 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.
- (v) The final distribution per unit of HK107.19 cents for the year ended 31 March 2016 is calculated based on the final distribution to be paid to the Unitholders of HK\$2,404 million for the second half of the financial year and 2,243,148,136 units in issue as at 31 March 2016. The final distribution per unit of HK93.28 cents for the year ended 31 March 2015 was calculated based on the final distribution of HK\$2,138 million for the period and 2,291,770,269 units in issue as at 31 March 2015.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Note	2016 HK\$'M	2015 HK\$'M
Non-current assets			
Goodwill		487	384
Investment properties		157,612	138,383
Property, plant and equipment		76	72
Derivative financial instruments		158	162
Other non-current asset		1,095	316
		<u>159,428</u>	<u>139,317</u>
Current assets			
Investment properties held for sale		3,060	–
Trade and other receivables	7	435	312
Deposits and prepayments		74	67
Derivative financial instruments		1	–
Short-term bank deposits		118	1,215
Cash and cash equivalents		336	2,233
		<u>4,024</u>	<u>3,827</u>
Total assets		<u>163,452</u>	<u>143,144</u>
Current liabilities			
Trade payables, receipts in advance and accruals	8	1,643	1,433
Security deposits		1,410	1,173
Provision for taxation		252	240
Current portion of long-term incentive plan provision		63	77
Interest bearing liabilities	9	959	1,940
Derivative financial instruments		60	17
		<u>4,387</u>	<u>4,880</u>
Net current liabilities		<u>363</u>	<u>1,053</u>
Total assets less current liabilities		<u>159,065</u>	<u>138,264</u>
Non-current liabilities, excluding net assets attributable to Unitholders			
Long-term incentive plan provision		36	43
Interest bearing liabilities	9	25,965	15,130
Derivative financial instruments		402	96
Deferred tax liabilities		2,202	1,957
Other non-current liabilities		3,019	2,932
		<u>31,624</u>	<u>20,158</u>
Total liabilities, excluding net assets attributable to Unitholders		<u>36,011</u>	<u>25,038</u>
Non-controlling interest		<u>54</u>	<u>–</u>
Net assets attributable to Unitholders		<u>127,387</u>	<u>118,106</u>
Units in issue		<u>2,243,148,136</u>	<u>2,291,770,269</u>
Net assets per unit attributable to Unitholders		<u>HK\$56.79</u>	<u>HK\$51.53</u>

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

FOR THE YEAR ENDED 31 MARCH 2016

	Net assets attributable to Unitholders HK\$'M	Total reserves HK\$'M	Non- controlling interest HK\$'M
At 1 April 2015	118,106	580	–
Issuance of units under long-term incentive plan	74	–	–
Units bought back for cancellation	(2,197)	–	–
Profit for the year ended 31 March 2016, before transactions with Unitholders	16,295	–	54
Distributions paid to Unitholders			
– 2015 final distribution	(2,138)	–	–
– 2016 interim distribution	(2,230)	–	–
Change in fair values of cash flow hedges	–	(386)	–
Amount transferred to the consolidated income statement	–	87	–
Exchange loss on translation of financial statements	–	(224)	–
Amount arising from cash flow hedging reserve and exchange reserve movements	(523)	523	–
Change in net assets attributable to Unitholders and non-controlling interest for the year ended 31 March 2016, excluding issues of new units and units bought back	11,404	–	54
At 31 March 2016	127,387	580	54
At 1 April 2014	96,351	–	–
Non-controlling interest put option obligation	(580)	580	–
Issuance of units under long-term incentive plan	74	–	–
Units bought back for cancellation	(956)	–	–
Profit for the year ended 31 March 2015, before transactions with Unitholders	27,230	–	–
Distributions paid to Unitholders			
– 2014 final distribution	(1,976)	–	–
– 2015 interim distribution	(2,054)	–	–
Change in fair values of cash flow hedges	–	(35)	–
Amount transferred to the consolidated income statement	–	52	–
Amount arising from cash flow hedging reserve movement	17	(17)	–
Change in net assets attributable to Unitholders and non-controlling interest for the year ended 31 March 2015, excluding issues of new units and units bought back	23,217	–	–
At 31 March 2015	118,106	580	–

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
Operating activities		
Net cash generated from operating activities	5,682	4,853
Investing activities		
Acquisition of businesses	(9,819)	(1,380)
Acquisition of an investment property under development	–	(5,860)
Deposits for acquisitions	(1,095)	(316)
Additions to investment properties	(1,457)	(1,038)
Proceeds from disposal of investment properties	1,716	2,956
Additions to property, plant and equipment	(18)	(25)
Interest income received	14	34
Decrease in short-term bank deposits with original maturity of more than three months	1,097	1,019
Net cash used in investing activities	(9,562)	(4,610)
Financing activities		
Proceeds from interest bearing liabilities, net of transaction costs	20,587	10,217
Repayment of interest bearing liabilities	(11,488)	(5,780)
Increase in amount due to non-controlling interest	26	2,344
Interest expenses paid on interest bearing liabilities	(573)	(365)
Distributions paid to Unitholders	(4,368)	(4,030)
Units bought back for cancellation	(2,197)	(956)
Net cash generated from financing activities	1,987	1,430
Net (decrease)/increase in cash and cash equivalents	(1,893)	1,673
Cash and cash equivalents at 1 April	2,233	560
Effect on exchange rate changes on cash and cash equivalents	(4)	–
Cash and cash equivalents at 31 March	336	2,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (**HKFRSs**), the requirements of the Trust Deed and the relevant disclosure requirements as set out in Appendix C of the Code on Real Estate Investment Trusts (the **REIT Code**) issued by the Securities and Futures Commission of Hong Kong. HKFRSs is a collective term which includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (**HKASs**) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (**HKICPA**).

As at 31 March 2016, the Group's current liabilities exceeded its current assets. The Group considers that its liquidity and financial position as a whole is healthy and it has a reasonable expectation that the Group has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

(b) Accounting convention and functional currency

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, investment properties and non-controlling interest put option obligation, which are stated at fair values.

The consolidated financial statements are presented in millions of Hong Kong Dollars, the functional currency of Link.

(c) Adoption of new and revised HKFRSs

For the year ended 31 March 2016, the Group has adopted all the amendments that are currently in issue and effective.

HKAS 19 (2011) Amendments Annual Improvements to HKFRSs 2010 – 2012 Cycle Annual Improvements to HKFRSs 2011 – 2013 Cycle	Defined Benefit Plans: Employee Contributions
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The adoption of these amendments has not had any significant effect on the accounting policies or results reported and financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 Basis of preparation (Continued)

(c) Adoption of new and revised HKFRSs (Continued)

The following new standards, amendments and interpretations, which have been published but are not yet effective, have not been early adopted in the consolidated financial statements. These are effective for the Group's accounting periods beginning on or after 1 April 2016.

HKAS 1 Amendments	Disclosure Initiative ⁽¹⁾
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation ⁽¹⁾
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants ⁽¹⁾
HKAS 27 Amendments	Equity Method in Separate Financial Statements ⁽¹⁾
HKAS 28 (2011) and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
HKAS 28 (2011), HKFRS 10 and HKFRS 12 Amendments	Investment Entities: Applying the Consolidation Exception ⁽¹⁾
HKFRS 9 (2014)	Financial Instruments ⁽²⁾
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations ⁽¹⁾
HKFRS 14	Regulatory Deferral Accounts ⁽¹⁾
HKFRS 15	Revenue from Contracts with Customers ⁽²⁾
HKFRS 16	Leases ⁽³⁾
Annual Improvements to HKFRSs 2012 – 2014 Cycle ⁽¹⁾	

⁽¹⁾ effective for accounting periods beginning on or after 1 January 2016

⁽²⁾ effective for accounting periods beginning on or after 1 January 2018

⁽³⁾ effective for accounting periods beginning on or after 1 January 2019

⁽⁴⁾ no mandatory effective date is determined yet but early application is permitted

The Group is in the process of making an assessment of the impact of these new and revised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Revenue

Revenue recognised during the year comprise:

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
Rentals		
– Retail and commercial properties	6,506	5,711
– Car parks	1,846	1,656
	<u>8,352</u>	<u>7,367</u>
Other revenue		
– Air conditioning service fees	356	337
– Other property related revenue	32	19
	<u>388</u>	<u>356</u>
Total revenue	<u>8,740</u>	<u>7,723</u>

Leases with tenants provide for monthly base rent and recovery of certain outgoings. Additional rents based on business turnover amounted to HK\$149 million (2015: HK\$169 million) and have been included in the rental income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Segment information

	Retail properties <i>HK\$'M</i>	Car parks <i>HK\$'M</i>	Others <i>HK\$'M</i>	Total <i>HK\$'M</i>
For the year ended 31 March 2016				
Revenue (<i>Note (i)</i>)	<u>6,699</u>	<u>1,850</u>	<u>191</u>	<u>8,740</u>
Segment results	5,033	1,328	(216)	6,145
Change in fair values of investment properties	7,006	3,999	258	11,263
Interest income				6
Finance costs				(508)
Gains on disposals of investment properties				<u>396</u>
Profit before taxation and transactions with Unitholders				17,302
Taxation				<u>(953)</u>
Profit for the year, before transactions with Unitholders				<u>16,349</u>
Capital expenditure	5,331	114	7,149	12,594
Depreciation	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>(22)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Segment information (Continued)

	Retail properties <i>HK\$'M</i>	Car parks <i>HK\$'M</i>	Others <i>HK\$'M</i>	Total <i>HK\$'M</i>
As at 31 March 2016				
Segment assets (<i>Note (ii)</i>)	118,981	28,943	14,428	162,352
Goodwill				487
Derivative financial instruments				159
Short-term bank deposits				118
Cash and cash equivalents				336
				<hr/>
Total assets				163,452
				<hr/>
Segment liabilities	2,252	195	606	3,053
Provision for taxation				252
Long-term incentive plan provision				99
Interest bearing liabilities				26,924
Derivative financial instruments				462
Deferred tax liabilities				2,202
Other non-current liabilities				3,019
				<hr/>
Total liabilities, excluding net assets attributable to Unitholders				36,011
				<hr/>
Non-controlling interest				54
				<hr/>
Net assets attributable to Unitholders				<u>127,387</u>

Notes:

- (i) For the year ended 31 March 2016, revenue of HK\$421 million (2015: Nil) is attributable to external customers from Mainland China and HK\$8,319 million (2015: HK\$7,723 million) is attributable to external customers from Hong Kong.
- (ii) As at 31 March 2016, non-current assets of HK\$11,099 million (2015: Nil) is located in Mainland China and HK\$148,171 million (2015: HK\$139,155 million) is located in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Segment information (Continued)

	Retail properties <i>HK\$'M</i>	Car parks <i>HK\$'M</i>	Others <i>HK\$'M</i>	Total <i>HK\$'M</i>
For the year ended 31 March 2015				
Revenue	<u>6,064</u>	<u>1,659</u>	<u>–</u>	<u>7,723</u>
Segment results	4,502	1,167	(437)	5,232
Change in fair values of investment properties	15,443	7,256	–	22,699
Interest income				32
Finance costs				(359)
Gains on disposals of investment properties				<u>445</u>
Profit before taxation and transactions with Unitholders				28,049
Taxation				<u>(819)</u>
Profit for the year, before transactions with Unitholders				<u>27,230</u>
Capital expenditure	2,197	212	5,907	8,316
Depreciation	<u>–</u>	<u>–</u>	<u>(23)</u>	<u>(23)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Segment information (Continued)

	Retail properties <i>HK\$'M</i>	Car parks <i>HK\$'M</i>	Others <i>HK\$'M</i>	Total <i>HK\$'M</i>
As at 31 March 2015				
Segment assets	107,584	25,237	6,329	139,150
Goodwill				384
Derivative financial instruments				162
Short-term bank deposits				1,215
Cash and cash equivalents				2,233
				<hr/>
Total assets				143,144
				<hr/>
Segment liabilities	2,070	183	353	2,606
Provision for taxation				240
Long-term incentive plan provision				120
Interest bearing liabilities				17,070
Derivative financial instruments				113
Deferred tax liabilities				1,957
Other non-current liabilities				2,932
				<hr/>
Total liabilities, excluding net assets attributable to Unitholders				25,038
				<hr/>
Net assets attributable to Unitholders				118,106
				<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Operating profit

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
Operating profit for the year is stated after charging:		
Staff costs	544	546
Depreciation of property, plant and equipment	22	23
Loss on disposal of property, plant and equipment	–	2
Trustee's fee	13	9
Valuation fee	4	3
Auditor's remuneration		
Audit fees	5	4
Audit-related assurance services	2	2
Total audit and audit-related assurance services	7	6
Acquisition related professional fees	1	4
Others	1	2
Total auditor's remuneration	9	12
Bank charges	5	5
Operating lease charges	30	26
Other legal and professional fees	24	22
Commission to property agents	20	28
Donations	10	7
	<u>10</u>	<u>7</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 Taxation

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

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

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
Current taxation		
– Hong Kong	681	616
– Mainland China	37	–
Deferred taxation	235	203
Taxation	953	819

The differences between the Group's expected tax charge, using the Hong Kong profits tax rate, and the Group's taxation for the year were as follows:

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
Profit before taxation	17,302	28,049
Expected tax calculated at the Hong Kong profits tax rate of 16.5% (2015: 16.5%)	2,855	4,628
Tax effect of different taxation rates	4	–
Tax effect of non-deductible expenses	24	33
Tax effect of non-taxable income	(1,885)	(3,824)
Tax effect of other temporary differences	(36)	(18)
Utilisation of previously unrecognised tax loss	(19)	–
Withholding tax on unremitted earnings of subsidiaries	10	–
Taxation	953	819

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	2016	2015
Profit after taxation and before transactions with Unitholders attributable to Unitholders	HK\$16,295 million	HK\$27,230 million
Weighted average number of units for the year for calculating basic earnings per unit	2,267,331,282	2,301,106,036
Adjustment for dilutive contingently issuable units under long-term incentive plan	2,102,718	2,541,450
Weighted average number of units for the year for calculating diluted earnings per unit	2,269,434,000	2,303,647,486
Basic earnings per unit based upon profit after taxation and before transactions with Unitholders attributable to Unitholders	HK\$7.19	HK\$11.83
Diluted earnings per unit based upon profit after taxation and before transactions with Unitholders attributable to Unitholders	HK\$7.18	HK\$11.82

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Trade and other receivables

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
Trade receivables	97	98
Less: provision for impairment of trade receivables	(5)	(3)
	<hr/>	<hr/>
Trade receivables – net	92	95
Other receivables	343	217
	<hr/>	<hr/>
	435	312
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of these receivables approximate their fair values.

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

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

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
0 – 30 days	88	90
31 – 90 days	4	5
Over 90 days	5	3
	<hr/>	<hr/>
	97	98
	<hr/> <hr/>	<hr/> <hr/>

Monthly rentals in respect of retail and commercial properties are payable in advance by tenants in accordance with the leases while daily gross receipts from car parks are received from the car park operators in arrears. Included in the net trade receivables of HK\$92 million (2015: HK\$95 million) presented above were HK\$41 million (2015: HK\$46 million) of accrued car park income and HK\$30 million (2015: HK\$31 million) of accrued turnover rent, which were not yet due as at 31 March 2016. The remaining HK\$21 million (2015: HK\$18 million) were past due but not considered impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Trade and other receivables (Continued)

The ageing of the past due but not considered impaired trade receivables is as follows:

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
0 – 30 days	17	13
31 – 90 days	4	5
	<u>21</u>	<u>18</u>

As at 31 March 2016, trade receivables of HK\$5 million (2015: HK\$3 million) were considered as impaired and had been provided for. The individually impaired receivables are those where collectibility is in doubt.

The ageing of the impaired trade receivables is as follows:

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
Over 90 days	<u>5</u>	<u>3</u>

Movements on the provision for impairment of trade receivables are as follows:

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
At 1 April	3	1
Provision for impairment of trade receivables	6	5
Receivables written off during the year as uncollectible	<u>(4)</u>	<u>(3)</u>
At 31 March	<u>5</u>	<u>3</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Trade and other receivables (Continued)

The creation and release of provision for impairment of trade receivables have been included in property operating expenses in the consolidated income statement. Amounts charged to the provision account will be written off when there is no expectation of recovering additional cash.

The other classes of receivables included in the trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables.

8 Trade payables, receipts in advance and accruals

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
Trade payables	84	28
Receipts in advance	220	183
Accruals	1,339	1,222
	<hr/> 1,643 <hr/>	<hr/> 1,433 <hr/>

The carrying amounts of these payables approximate their fair values.

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

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
0 – 30 days	64	27
31 – 90 days	20	1
	<hr/> 84 <hr/>	<hr/> 28 <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Interest bearing liabilities

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
Bank borrowings	13,223	4,425
Medium term notes	13,701	11,645
Secured loan	—	1,000
	<u>26,924</u>	<u>17,070</u>
Less: current portion of interest bearing liabilities	(959)	(1,940)
	<u>25,965</u>	<u>15,130</u>

Interest bearing liabilities are repayable as follows:

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
Due in the first year		
Bank borrowings	—	940
Medium term notes	959	—
Secured loan	—	1,000
	<u>959</u>	<u>1,940</u>
Due in the second year		
Bank borrowings	—	2,496
Medium term notes	300	958
	<u>300</u>	<u>3,454</u>
Due in the third year		
Bank borrowings	3,337	—
Medium term notes	1,101	300
	<u>4,438</u>	<u>300</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Interest bearing liabilities (Continued)

	2016 <i>HK\$'M</i>	2015 <i>HK\$'M</i>
Due in the fourth year		
Bank borrowings	3,830	989
Medium term notes	1,365	1,103
	<u>5,195</u>	<u>2,092</u>
Due in the fifth year		
Bank borrowings	4,869	–
Medium term notes	349	1,375
	<u>5,218</u>	<u>1,375</u>
Due beyond the fifth year		
Bank borrowings	1,187	–
Medium term notes	9,627	7,909
	<u>10,814</u>	<u>7,909</u>
	<u><u>26,924</u></u>	<u><u>17,070</u></u>

Notes:

- (i) Except for medium term notes of HK\$148 million (2015: HK\$146 million) which are denominated in Australian Dollars and HK\$3,857 million (2015: HK\$3,905 million) which are denominated in United States Dollars, all the other interest bearing liabilities are denominated in Hong Kong Dollars.
- (ii) All of Link's foreign currencies borrowings are fully hedged into Hong Kong Dollars.
- (iii) The effective interest rate of the interest bearing liabilities (taking into account cross currency swap contracts and interest rate swap contracts) at the reporting date was 2.57% (2015: 2.66%). The carrying amounts of the interest bearing liabilities approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Event after the reporting date

- (a) On 19 February 2016, Link, through a wholly-owned subsidiary, agreed to acquire a commercial complex at 700 Nathan Road, Mong Kok, Kowloon, Hong Kong through a government tender at a consideration of HK\$5,910 million. The transaction was completed on 15 April 2016.

- (b) During the year, the Manager has put up certain properties of Link for tender. On 31 March 2016 and 11 April 2016, Link Properties Limited, a wholly-owned subsidiary of Link, has accepted the tender documents submitted by certain independent third parties, which constitute binding agreements in respect of the sale and purchase of nine properties for a cash consideration of HK\$3,652 million. The transactions were completed on 31 May 2016. Such properties are reclassified as investment properties held for sale as at 31 March 2016.

APPRECIATION

In the year under review and up to the date of this announcement, Mr Anthony CHOW Wing Kin and Mr Nicholas Robert SALLNOW-SMITH retired from the Board while Ms Poh Lee TAN, Mr Nicholas Charles ALLEN, Mr Ed CHAN Yiu Cheong and Mr Blair Chilton PICKERELL joined as new Independent Non-Executive Directors. On 1 April 2016, Mr Nicholas Charles ALLEN succeeded Mr Nicholas Robert SALLNOW-SMITH as our Board chairman upon the latter's retirement. The Board would like to thank Mr Nicholas Robert SALLNOW-SMITH for his outstanding leadership, insights and contributions to the Board and Link over the last nine years.

Taking this opportunity, the Board would like to thank the staff for their professionalism, hard work and contribution. Without their skills and on the ground customer services, Link would not have secured the support and loyalty of our tenants and the communities we serve. The Board also wants to extend its appreciation to our Unitholders for the continuous support and confidence in Link.

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

The final results and the consolidated financial statements of the Group for the year ended 31 March 2016 had been reviewed by the Audit and Risk Management Committee in conjunction with Link's external auditor, PricewaterhouseCoopers.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in this final results announcement have been agreed by PricewaterhouseCoopers, the external auditor, to the amounts set out in the audited consolidated financial statements for the year ended 31 March 2016 of Link. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance has been expressed by PricewaterhouseCoopers on this final results announcement.

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2016, Link and the Manager complied with the Securities and Futures Ordinance, the REIT Code, (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) and the compliance manual of the Manager (which sets out the corporate governance policy of Link). Link 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 year. The corporate governance report for the year ended 31 March 2016 of Link is set out in the Annual Report 2015/2016.

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

During the year under review, the Manager (on behalf of Link) bought back a total of 50,219,000 units on The Stock Exchange of Hong Kong Limited at an aggregate consideration (excluding expenses) of approximately HK\$2,197 million, details of which are as follows:

Month	Number of units bought back	Purchase price per unit		Aggregate consideration (excluding expenses) HK\$'M
		Highest HK\$	Lowest HK\$	
July 2015	8,314,000	46.15	44.60	377
August 2015	28,271,500	45.60	41.35	1,226
September 2015	4,313,500	42.90	40.55	179
December 2015	3,119,500	46.85	45.40	144
February 2016	3,500,500	44.15	42.75	151
March 2016	2,700,000	45.00	43.90	120

All the units bought back were cancelled prior to the financial year end.

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

ISSUE OF NEW UNITS

During the year under review, 1,596,867 new units of Link were issued pursuant to the long-term incentive plan of Link. Based on 2,243,148,136 units in issue as at 31 March 2016, the number of new units issued in the year represented approximately 0.07%.

PUBLIC FLOAT

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

FINAL DISTRIBUTION AND CLOSURE OF REGISTER OF UNITHOLDERS

For Final Distribution

The final distribution of HK107.19 cents per unit for the year ended 31 March 2016 will be paid in cash on Thursday, 7 July 2016 to those Unitholders whose names appear on the register of Unitholders of Link on Tuesday, 28 June 2016. For the purpose of ascertaining Unitholders' entitlement to the final distribution, the register of Unitholders of Link will be closed from Friday, 24 June 2016 to Tuesday, 28 June 2016, both days inclusive, during which period no transfer of units will be registered. In order to qualify for the final distribution, all transfer documents accompanied by the relevant unit certificates must be lodged with Link's unit registrar, Computershare Hong Kong Investor Services Limited (the **Unit Registrar**), 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 Thursday, 23 June 2016.

For Annual General Meeting of Unitholders

For the purpose of ascertaining Unitholders' right to attend the forthcoming annual general meeting of Unitholders of Link to be held on Wednesday, 27 July 2016, the register of Unitholders of Link will also be closed from Monday, 25 July 2016 to Wednesday, 27 July 2016, both days inclusive, during which period no transfer of units will be registered. In order for Unitholders to be eligible to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant unit certificates must be lodged with the Unit Registrar (at the address above) for registration not later than 4:30 p.m. on Friday, 22 July 2016.

DESPATCH OF ANNUAL REPORT 2015/2016

The Annual Report 2015/2016 of Link will be despatched to Unitholders on Monday, 27 June 2016.

ANNUAL GENERAL MEETING OF UNITHOLDERS

The forthcoming annual general meeting of Unitholders of Link will be held on Wednesday, 27 July 2016. Notice convening the meeting will be issued to Unitholders in accordance with the REIT Code, the Listing Rules, the Trust Deed and other applicable requirements.

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

Hong Kong, 8 June 2016

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

Chairman (also an Independent Non-Executive Director)

Nicholas Charles ALLEN

Executive Directors

George Kwok Lung HONGCHOY (*Chief Executive Officer*)

Andy CHEUNG Lee Ming (*Chief Financial Officer*)

Non-Executive Director

Ian Keith GRIFFITHS

Independent Non-Executive Directors

William CHAN Chak Cheung

Ed CHAN Yiu Cheong

Blair Chilton PICKERELL

Poh Lee TAN

May Siew Boi TAN

Peter TSE Pak Wing

Nancy TSE Sau Ling

David Charles WATT

Richard WONG Yue Chim

Elaine Carole YOUNG