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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 unaudited interim results of Link and its subsidiaries (the **Group**) for the six months ended 30 September 2017.

The interim results and the condensed consolidated interim financial information of the Group for the six months ended 30 September 2017, 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 November 2017.

OVERALL FINANCIAL RESULTS

During the six months under review, total revenue and net property income increased by 7.4% and 9.5% year-on-year to HK\$4,949 million (six months ended 30 September 2016: HK\$4,608 million) and HK\$3,767 million (six months ended 30 September 2016: HK\$3,440 million), respectively. Interim distribution per unit (**DPU**) for the period amounted to HK121.50 cents (six months ended 30 September 2016: HK111.75 cents), representing a year-on-year increase of 8.7%. Valuation of the property portfolio (including property under development and properties in Mainland China) reached HK\$189,818 million, representing an increase of 9.1% compared to 31 March 2017. Net asset value per unit increased by 7.4% to HK\$67.11 (31 March 2017: HK\$62.47).

MANAGEMENT DISCUSSION AND ANALYSIS

Focusing on our four strategic priorities – building a more productive and higher quality portfolio, maintaining a prudent and flexible capital structure, developing a strong management team and helping our tenants and communities grow while delighting our shoppers – we aim to deliver better returns as we strengthen our operational platform.

Building a More Productive and Higher Quality Portfolio

Management

Managing our properties to make them more productive is the core of our business model. With our management expertise gained over the years, we continue to enhance our tenant mix, provide more and better retail options to shoppers and drive asset returns.

In April 2016, we introduced our asset management model to improve operational performance. A dedicated team of experienced asset managers was established and each asset manager has direct responsibility for the overall performance of the portfolio of assets assigned to him or her. The asset managers have to create asset plan for each property in collaboration with all functional areas, such as property management, leasing and marketing. We are extending the holistic asset management approach to the entire portfolio. Effective 1 October 2017, all properties have been covered under the asset management model.

Hong Kong Portfolio

Retail

During the six months under review, we saw mild recovery in the Hong Kong retail market and our portfolio focusing on mass market non-discretionary trades continued to show resilience. As at 30 September 2017, occupancy rate for the portfolio remained stable at 96.3%. For the overall portfolio, reversion rate stood at 26.8% together with a 5.3% year-on-year growth in retail rental income. There has also been a 6.7% improvement in average monthly unit rent from HK\$55.3 psf as at 31 March 2017 to HK\$59.0 psf as at 30 September 2017.

Operational Statistics of the Retail Portfolio

	Occupancy rate		Reversion rate		% of total area ⁽¹⁾
	As at 30 September 2017 %	As at 31 March 2017 %	Six months ended 30 September 2017 %	Six months ended 30 September 2016 %	As at 30 September 2017 %
Shops	97.1	97.1	28.5	21.2	83.2
Markets/Cooked food stalls	91.1	90.3	12.8	17.8	9.3
Education/Welfare and Ancillary	93.5	91.4	14.4	19.1	7.5
Total	96.3	96.1	26.8	21.0	100.0

Note:

⁽¹⁾ Total excluding self-use office.

Retail Portfolio Breakdown

	No. of properties	Retail properties valuation	Retail rentals	Average monthly unit rent ⁽¹⁾		Occupancy rate	
		As at 30 September 2017 HK\$'M	Six months ended 30 September 2017 HK\$'M	As at 30 September 2017 HK\$ psf ⁽³⁾	As at 31 March 2017 HK\$ psf ⁽³⁾	As at 30 September 2017 %	As at 31 March 2017 %
Properties⁽²⁾							
Destination	6	23,964	615	79.2	74.0	97.0	96.7
Community	34	64,625	1,687	69.1	65.7	96.9	96.8
Neighbourhood	85	38,061	1,022	42.4	39.4	95.5	95.2
700 Nathan Road ⁽⁴⁾	1	5,878	-	-	-	N.A.	N.A.
Total	126	132,528	3,324	59.0	55.3	96.3	96.1

Notes:

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

⁽²⁾ Properties categorisation as at 30 September 2017.

⁽³⁾ psf means per square foot.

⁽⁴⁾ The acquisition of 700 Nathan Road was completed on 15 April 2016. As at 30 September 2017, the property was vacant due to renovation.

Portfolio Lease Expiry Profile

(As at 30 September 2017)

	% of total area %	% of monthly rent %
2017/2018	17.2	17.5
2018/2019	29.8	27.1
2019/2020 and Beyond	47.0	52.7
Short-term Lease and Vacancy	6.0	2.7
Total	100.0	100.0

Car Parks

Link owns and manages over 69,000 parking spaces across Hong Kong. Contributing 19.0% to our portfolio in Hong Kong by value, income from car parks recorded a year-on-year increase of 5.7% during the six months under review, and car park income per space per month increased by 11.7% year-on-year to HK\$2,463.

Key Car Park Performance Indicators

	Six months ended 30 September 2017	Six months ended 30 September 2016
Car park income per space per month (HK\$)	2,463	2,206
	As at 30 September 2017	As at 31 March 2017
Total valuation (HK\$'M)	32,792	30,813
Average valuation per parking space (HK\$'000)	475	446

Mainland China Portfolio

Our three properties in Mainland China – EC Mall in Beijing, Link Square 1 & 2 in Shanghai, and the newly-acquired Metropolitan Plaza in Guangzhou (acquisition completed on 11 May 2017) – continued to exhibit strong performance. Our Mainland China portfolio contributed a total revenue of HK\$399 million and net property income of HK\$310 million during the period, representing a 38.1% and a 33.6% year-on-year increase respectively.

We continue to create value from these three properties which enhanced our overall portfolio quality. Retail reversion rates for EC Mall and Metropolitan Plaza were 30.7% and 62.1% respectively, whilst office reversion rate for Link Square 1 & 2 was 17.2% during the period.

EC Mall Retail Lease Expiry Profile

(As at 30 September 2017)

	% of total area %	% of monthly rent %
2017/2018	13.5	16.5
2018/2019	10.0	13.2
2019/2020 and Beyond	68.9	70.3
Vacancy	7.6	0.0
Total	100.0	100.0

Metropolitan Plaza Retail Lease Expiry Profile

(As at 30 September 2017)

	% of total area %	% of monthly rent %
2017/2018	3.3	4.2
2018/2019	21.0	22.8
2019/2020 and Beyond	74.8	73.0
Vacancy	0.9	0.0
Total	100.0	100.0

Link Square 1 & 2 Office Lease Expiry Profile

(As at 30 September 2017)

	% of total area %	% of monthly rent %
2017/2018	2.8	3.5
2018/2019	9.7	9.7
2019/2020 and Beyond	85.6	86.8
Vacancy	1.9	0.0
Total	100.0	100.0

Enhancement

Asset enhancement is a continual process to improve the quality of and extract additional value from our existing portfolio. With careful planning and execution, our ongoing asset enhancement works unlock value through revitalising and repositioning our properties. The enhanced retail environment provides more productive places for tenants to do business and delivers growth to our Unitholders.

During the period, we completed six asset enhancement projects, including Lung Hang Commercial Centre, T Town (formerly known as Chung Fu Plaza), Cheung Wah Shopping Centre, Kwong Fuk Commercial Centre, Fu Tung Market and Tin Tsz Shopping Centre, all of which exceeded our return on investment target of 15%.

Return on Investment of Asset Enhancement Projects Completed in the Six Months Ended 30 September 2017

	Total Project Capex HK\$'M	Estimated return on investment ⁽¹⁾ %
Lung Hang Commercial Centre	58	21.4%
T Town (previously known as Chung Fu Plaza)	260	19.1%
Cheung Wah Shopping Centre	101	17.6%
Kwong Fuk Commercial Centre ⁽²⁾	31	20.4%
Fu Tung Market ⁽²⁾	29	25.9%
Tin Tsz Shopping Centre	38	37.7%
Total	517	

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 expenditure and loss of rental.

⁽²⁾ Project included a fresh market upgrade.

T Town has its asset enhancement programme completed in the North Wing. Prominent façade upgrades have enhanced the visibility of the centre from the main road and light rail transit tracks. The overall shopping experience and ambience improved after the refurbishments of common areas including new floors and ceilings. The trade mix has changed with increased number of shops and newly-introduced tenants. Re-layout of common areas and upgraded landlord provisions have been made in order to accommodate new trades. Together with the renovated market entrance and Barrier-free Access (**BFA**) facilities, the revitalised T Town will become a major shopping destination in Tin Shui Wai.

The enhancement of Lung Hang Commercial Centre involved refurbishment and tenant mix revamp of the neighbourhood centre in Tai Wai. Connectivity and walkability have improved after adding an additional set of escalators between 1/F and 2/F. Natural ventilation and refurbished common areas provide a better ambience and overall shopping experience. During the enhancement of the shopping centre, the market has also been upgraded by the external market operator.

Cheung Wah Shopping Centre, originally an open shopping centre, is now enclosed to create new air-conditioned arcades to capture the area's high footfall and spending. The number of tenants has increased from 11 to 38 with a number of newly-introduced tenants. New escalators and a lift were added to improve vertical circulation.

The enhancement works in Kwong Fuk Commercial Centre involved the installation of new escalators to improve vertical circulation. New trades have been introduced and to accommodate future tenant mix changes, landlord provisions were upgraded such as additional power supply. There has also been a re-layout of the market with the introduction of low-rise stalls to promote visibility.

Fu Tung Market, in Tung Chung with a growing population, has undergone major changes to improve visibility by transforming stalls to low-rise stalls and upgrading the entrance. Former food and beverage stalls were converted into new market stalls and new trades were introduced. New floor, ceiling, lighting, air-conditioning and BFA toilets were also added.

Tin Tsz Shopping Centre in Tin Shui Wai has been refurbished with an upgraded tenant mix. The supermarket has been relocated and repartitioned to provide the residents with more food and beverage and retail options. The façade has also been revamped to improve the neighbourhood centre's visibility from the light rail station and Tin Yiu Estate.

Our asset enhancement pipeline remains full, with 14 projects currently underway, five preparing to commence and over 20 projects undergoing review.

Asset Enhancement Pipeline

	Number of projects	Estimated costs <i>HK\$'M</i>
Underway	14	1,097
Pending statutory approval	5	629
Others under planning	>20	> 1,500
Total	>39	> 3,226

Approved Asset Enhancement Projects Underway

	Estimated costs <i>HK\$'M</i>	Target completion date
Temple Mall South	153	Mid 2017
Siu Sai Wan Plaza	45	Late 2017
Lok Wah Commercial Centre	49	Late 2017
Tsz Wan Shan Shopping Centre – Retail	67	Late 2017
Tsui Ping North Shopping Circuit ⁽¹⁾	40	Late 2017
TKO Gateway Market ⁽¹⁾	91	Late 2017
Hin Keng Shopping Centre	34	Late 2017
Tin Chak Shopping Centre (1/F) ⁽¹⁾	44	Early 2018
Wan Tsui Commercial Complex	151	Mid 2018
Homantin Plaza ⁽¹⁾	130	Mid 2018
Sam Shing Commercial Centre	32	Mid 2018
Fu Shin Shopping Centre ⁽¹⁾	93	Mid 2018
Cheung Fat Plaza	98	Late 2018
Shun Lee Commercial Centre	70	Early 2019
Total	1,097	

Note:

⁽¹⁾ Project includes a fresh market upgrade.

Acquisition

Acquiring assets with good growth potential contributes to our strategy of improving portfolio quality to generate sustainable DPU growth.

Metropolitan Plaza

We completed the acquisition of Metropolitan Plaza in Guangzhou, China at the final consideration of RMB4,047 million on 11 May 2017. Located in Liwan district, one of the most densely-populated and high-performing retail areas in Guangzhou, Metropolitan Plaza is one of the few recently-built, high-quality shopping centres in the Pearl River Delta area. Since the takeover, occupancy has increased to 99.1% with the introduction of new tenants. A kid's education zone has been created with tenants focusing on children products and education. Over 50% of Metropolitan Plaza's tenancies are approaching the end of the first leasing cycle and will expire in the coming three years. There will be further room to refine the tenant mix and generate higher rental revenue.

700 Nathan Road

Renovation and pre-leasing of 700 Nathan Road are progressing according to schedule. The tower is scheduled to start operations by the end of 2017, with committed tenants including clinics, general retailers, a co-working business centre, a beauty centre and office users. The podium is expected to start operations in mid-2018, with committed tenants including specialty restaurants, cafés, fashion, beauty and lifestyle trades. Upon completion of the renovation, the podium will offer a young and vibrant shopping environment making it a new retail landmark in Mong Kok, while the tower will be ideal for services and semi-retail trades.

Disposal

We periodically review and enhance our portfolio by disposing non-core assets lacking synergy with our other assets in the portfolio. In the six months under review, no asset disposal took place.

Development

Development allows us to be involved in the early stages of the property development lifecycle to drive growth in our portfolio. Construction of The Quayside – our joint venture project with Nan Fung Development Limited at 77 Hoi Bun Road in Kowloon East – continues to progress on schedule. Following the announcement of J.P. Morgan as the anchor tenant which has agreed to lease an aggregate of over 250,000 sq ft, we continue to target tenants in banking and finance, renowned multinational corporations and professional service firms that are looking to consolidate their offices or move their operations to Kowloon East, Hong Kong's second central business district and a destination with growing popularity. This top of the class grade-A commercial development has received LEED platinum, BEAM Plus platinum and WELL gold pre-certifications. With the current construction progress, we target to complete the building works in early 2019.

Strategic Review

In July 2017, we announced a strategic review to further optimise our asset portfolio and maximise value for Unitholders. The ongoing review is investigating how to better position Link for future growth. As we prepare for the future, our focus will continue to be on sustaining DPU growth with a higher quality portfolio.

Maintaining a Prudent and Flexible Capital Structure

During the period under review, Hong Kong's market was flooded with liquidity due to strong capital inflows into Hong Kong, as evident in accelerated increase in foreign currency reserves that have pushed HK\$ interest rates below US\$ interest rates to a level not seen in recent years. Despite the 0.25% US Federal Fund rate hike in June 2017, 1-month HIBOR was largely unchanged in the last three months of the period.

In the Hong Kong banking market, loan margins continued to be under pressure and have remained at the lowest level since the financial crisis in 2009. The Group refinanced a HK\$1 billion bank loan with 5-year maturity at an all-in cost of HIBOR + 0.80% per annum.

Committed Debt Facilities ⁽¹⁾

(As at 30 September 2017)

(HK\$ billion)	Fixed rate debt ⁽²⁾	Floating rate debt ⁽²⁾	Utilised facilities	Undrawn facilities	Total committed facilities
Unsecured bank loans	10.0	7.5	17.5	4.0	21.5
MTN	9.9	6.4	16.3	–	16.3
Total	19.9	13.9	33.8	4.0	37.8
Percentage	58.9%	41.1%	89.4%	10.6%	100%

Notes:

⁽¹⁾ All amounts are at face value.

⁽²⁾ After interest rate swaps.

As at 30 September 2017, the effective interest cost of the Group's debt portfolio was reduced to 2.50% (31 March 2017: 2.65%) and the percentage of fixed rate debt to gross debt was largely maintained at 58.9% (31 March 2017: 61.4%). Average life of fixed rate debt, representing the average period of interest rate protection provided by fixed rate debt, was also maintained at 5.8 years (31 March 2017: 6.3 years).

Facility Maturity Profile ⁽¹⁾
(As at 30 September 2017)

(HK\$ billion)	Unsecured bank loans	MTN	Undrawn facilities	Total
Due in 2017/2018	0.5	–	–	0.5
Due in 2018/2019	1.8	1.1	1.6	4.5
Due in 2019/2020	5.5	1.3	–	6.8
Due in 2020/2021	3.0	0.4	2.0	5.4
Due in 2021/2022 and beyond	6.7	13.5	0.4	20.6
Total	17.5	16.3	4.0	37.8

Note:

⁽¹⁾ All amounts are at face value.

As at 30 September 2017, the Group's total debt increased to HK\$33.8 billion (31 March 2017: HK\$28.0 billion) and gearing ratio increased to 17.4% (31 March 2017: 15.6%). Available liquidity stood at HK\$4.6 billion (31 March 2017: HK\$10.7 billion), comprising HK\$0.6 billion (31 March 2017: HK\$0.6 billion) in cash and deposits and HK\$4.0 billion (31 March 2017: HK\$10.1 billion) in undrawn facilities. Average life of committed debt facilities remained stable at 4.4 years (31 March 2017: 4.7 years).

As part of Link's capital recycling strategy, we used part of the proceeds from asset disposals to buy back 14.7 million units during the period under review at the average price of HK\$63.18 per unit, which is equivalent to 5.9% discount to net asset value per unit as at 30 September 2017 of HK\$67.11.

On 21 July 2017, Standard & Poor's upgraded Link's anchor rating from "a" to "a+" in view of our strong market position, strengthened asset quality and improving geographic diversification. Link's key rating trigger – the ratio of funds from operation to debt – was relaxed from 15% to 12% while our overall credit rating was affirmed at "A/Stable". As a result of this relaxation in rating trigger, Link was given higher flexibility in raising debt to finance future acquisition when opportunities arise. On 18 August 2017, Moody's also affirmed Link's credit ratings at "A2/Stable".

Developing a Strong Management Team

At Link, our success lies in integrating our core values into everything we do. These core values are more than a mission statement or a promise. They are the inspiration for how we do business, treat each other and take care of the communities around us.

To ensure our productivity and our overall salary, bonus and other benefits remain competitive, we regularly review our workforce composition, compensation packages and the learning and development programmes we offer.

We continue to cultivate a culture that “Links People to a Brighter Future” by hiring talented people and empowering them. We foster a diverse workforce that not only reflects the communities we serve, but also encourages the flourishing of opinions and ideas. As at 30 September 2017, we had 907 staff.

Gender Balance

(As at 30 September 2017)

	% Male	% Female
Employees ^{(1), (2)}	49.8	50.2
Senior Management ⁽²⁾	60.0	40.0
Board	69.2	30.8

Note:

⁽¹⁾ Excluding senior management.

⁽²⁾ Excluding CEO and CFO.

Leadership and Talent Development

We are committed to developing and retaining top performers and providing them with relevant learning and development opportunities. The establishment of the Link Competency Framework in 2016 laid a strong base for our talent management strategy. We have recently introduced the Competency-based Training Framework to be more targeted in fulfilling the training and development needs of our employees. We identify the management and leadership capabilities we possess today and assess the needs we require to sustain our development in the future. A forward-looking Training and Development Curriculum has been established, with relevant courses and programmes supporting employees to achieve their best in current positions, setting them up for their future career growth, and helping Link achieve superior performance.

Listening to our Employees

While supporting the development of employees, we also value their opinions and have been using employee surveys to assess how well we live up to our Vision, Mission and Values. Recently, the survey is revamped and expanded so that we can gather more inputs and opinions from our employees. With better insights into our staff, we can better enable them to thrive in the workplace. Staff focus groups and follow-up plans will ensure that their opinions are considered and implemented as appropriate.

Long-term Incentive Scheme

The long-term incentive plan adopted by Link in 2007 expired in July 2017. The Board adopted the new long-term incentive scheme on 10 July 2017. The new scheme intends to attract and retain key executives and employees. Further details of the 2017 long-term incentive scheme were set out in the announcement dated 10 July 2017 and will also be disclosed in Interim Report 2017/2018 of Link.

Helping our Tenants and Communities Grow while Delighting Shoppers

Tenant Mix

With over 10,800 tenancies in our Hong Kong portfolio, we provide nearby communities vibrant shopping experiences by refining trade mix and improving tenant business environment. During the six months under review, the average monthly retail gross sales per square foot of our Hong Kong tenants continued to improve and rose by 7.2% as compared to the last corresponding period. Daily necessity trades continued to grow solidly, with “Food and Beverage” and “Supermarket and Foodstuff” posting year-on-year growth in gross sales per square foot of 10.3% and 5.6%, respectively, while “General Retail” recorded an increase of 6.0%.

Hong Kong Portfolio Retail Trade Mix

(As at 30 September 2017)

Trade	By Monthly Rent %	By Leased Area %
Food and Beverage	27.5	29.1
Supermarket and Foodstuff	22.1	18.2
Markets/Cooked Food Stalls	14.5	8.8
Services	10.2	9.3
Personal Care/Medicine	5.8	3.9
Education/Welfare and Ancillary	1.0	7.4
Valuable Goods (Jewellery, watches and clocks)	0.8	0.4
Others ⁽¹⁾	18.1	22.9
Total	100.0	100.0

Note:

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

In the period, rent-to-sales ratio of the Hong Kong portfolio was 12.7%. Specific trade categories such as “Food and Beverage”, “Supermarket and Foodstuff” and “General Retail” recorded rent-to-sales ratios of 12.8%, 10.8% and 14.8%, respectively.

Tenant Academy

Launched in 2009, the main objective of the Link Tenant Academy is to help our tenants do better business by imparting valuable business know-how, latest retail and service trends and share operational improvement tips. We have recently made several enhancements to the Tenant Academy including the launch of the Tenant Excellence Award. This award uses a mystery shopper approach to assess tenants' operations and encourage them to continually improve their services and offerings.

Link Together Initiatives

Every year, Link earmarks up to 0.25% of net property income for the previous financial year to fund selected projects through Link Together Initiatives, our flagship charity and community engagement programme. These projects are administered by various charities and their primary objective is to improve the livelihoods of local communities. For the latest 2017/2018 Link Together Initiatives, approximately HK\$9 million has been earmarked and selected projects have been announced in August 2017.

Link Community Sentiment Index

We believe sustainability is good for those around us and therefore good for our business. We continually look for ways to take the pulse of local community sentiment and trends to ensure we can best meet their needs. Link Community Sentiment Index (**Link CSI**) is an indicator of district level consumer sentiment. Since 2014, we have conducted quarterly surveys to monitor district-level sentiment based on three key drivers:

- 1) Personal finances;
- 2) Job prospects; and
- 3) Spending intentions.

Link CSI is a key indicator for our business as it helps to:

- Assess and benchmark community attitudes on local economy, personal finances and spending habits;
- Gauge changes in future spending habits of local communities, so that Link can respond accordingly and sustain our business in the long-run; and
- Support internal decision-making by incorporating quantifiable measures of changing community sentiment.

In the most recent quarters since 2015, Link CSI has always outperformed Hong Kong CCI, which signals the relative confidence of Link's consumers and resilience of the local community.

FINANCIAL REVIEW

As a leading provider of retail space in Hong Kong, Link had a good start in 2017/2018 with another strong set of financial results mainly contributed by our organic portfolio.

Hong Kong Portfolio

Revenue Analysis

Link continued to see steady contributions from our retail and car park portfolio during the period. Total revenue rose 5.3% to HK\$4,550 million (six months ended 30 September 2016: HK\$4,319 million), comprising rental income from retail properties of HK\$3,324 million (six months ended 30 September 2016: HK\$3,157 million), car parks of HK\$1,022 million (six months ended 30 September 2016: HK\$967 million) and other property related revenue of HK\$204 million (six months ended 30 September 2016: HK\$195 million).

Our resilient portfolio of retail properties continued to help our tenants thrive in different economic cycles. Retail rentals recorded a 5.3% increase on the back of satisfactory rental reversion. Active tenant mix enhancement was in place to assure improvements in footfall, occupancy and tenant sales across different trades. Car park rentals have also improved in view of supply and demand imbalance in parking spaces, as well as the increasing popularity of our shopping centres among shoppers with cars.

Revenue Breakdown

	Six months ended 30 September 2017 HK\$'M	Six months ended 30 September 2016 HK\$'M	Year-on-year change %
Retail rentals:			
Shops ⁽¹⁾	2,704	2,551	6.0
Markets/Cooked Food Stalls	451	440	2.5
Education/Welfare and Ancillary	73	74	(1.4)
Mall Merchandising	96	92	4.3
Car parks rentals:			
Monthly	769	726	5.9
Hourly	253	241	5.0
Expenses recovery and other miscellaneous revenue:			
Property related revenue ⁽²⁾	204	195	4.6
Total revenue	4,550	4,319	5.3

Notes:

⁽¹⁾ Rental from shops included base rent of HK\$2,647 million (six months ended 30 September 2016: HK\$2,486 million) and turnover rent of HK\$57 million (six months ended 30 September 2016: HK\$65 million), respectively.

⁽²⁾ Property related revenue included other revenue from retail properties of HK\$201 million (six months ended 30 September 2016: HK\$193 million) and car parks of HK\$3 million (six months ended 30 September 2016: HK\$2 million).

Expense Analysis

Due to the impact of the disposal of 14 properties in total during 2016/2017, total property operating expenses decreased slightly by 1.6% during the period. Net property income margin improved to 76.0% (six months ended 30 September 2016: 74.3%) due to tight cost control in managing our business.

Property managers' fees and security and cleaning expenses grew by 0.4% partly due to 6.2% increase in statutory minimum wage since May 2017. Utility expenses decreased by 4.4% which was in part a result of our continuous efforts in the energy saving as well as improvement in the efficiency of our building management system.

Property Operating Expenses Breakdown

	Six months ended 30 September 2017 HK\$'M	Six months ended 30 September 2016 HK\$'M	Year-on-year change %
Property managers' fees, security and cleaning	280	279	0.4
Staff costs	224	215	4.2
Repair and maintenance	101	117	(13.7)
Utilities	172	180	(4.4)
Government rent and rates	144	147	(2.0)
Promotion and marketing expenses	50	49	2.0
Estate common area costs	51	53	(3.8)
Other property operating expenses	71	71	–
Total property operating expenses	1,093	1,111	(1.6)

Mainland China Portfolio

EC Mall in Beijing and Link Square 1 & 2 in Shanghai have been delivering promising results since Link acquired them in 2015. Upon the completion of acquisition of Metropolitan Plaza in Guangzhou in May 2017, our Mainland China portfolio has expanded to three tier-one cities in Mainland China, resulting in a 38.1% year-on-year increase in total revenue from Mainland China to HK\$399 million (six months ended 30 September 2016: HK\$289 million), and a 33.6% year-on-year increase in net property income to HK\$310 million (six months ended 30 September 2016: HK\$232 million).

Performance of EC Mall in Beijing and Link Square 1 & 2 in Shanghai was encouraging. EC Mall continued to achieve strong reversion and maintain high occupancy. We replaced a large restaurant with a number of international and local brands expanding their footprints to EC Mall, strengthening its tenant mix. Link Square 1 & 2 maintained high occupancy and reversion, largely due to the space being taken up by expanding and new tenants at market-level rents. For our latest acquisition in Guangzhou, Metropolitan Plaza's occupancy increased with outstanding rental reversion since we took over the asset in May 2017. This latest acquisition has further proven our capability in identifying and managing assets with good growth potential in Mainland China.

Valuation Review

Total value of investment properties (including property under development and renovation and properties in Mainland China) grew 9.1% from HK\$174,006 million as at 31 March 2017 to HK\$189,818 million as at 30 September 2017.

Value of our Hong Kong retail properties increased 6.2% to HK\$132,528 million (31 March 2017: HK\$124,739 million) while the value of car parks increased 6.4% to HK\$32,792 million (31 March 2017: HK\$30,813 million). Such increase was mainly driven by an increase in net property income as the quality of our portfolio continuously improved. Value of the Hong Kong property under development in Kowloon East also increased to HK\$7,691 million (31 March 2017: HK\$7,349 million).

Properties in Mainland China were valued at HK\$16,807 million as at 30 September 2017, representing a 51.3% increase (31 March 2017: HK\$11,105 million), largely due to the addition of Metropolitan Plaza in Guangzhou.

Jones Lang LaSalle Limited, Link's Principal Valuer, valued our completed properties in Hong Kong and Mainland China using income capitalisation and discounted cash flow (**DCF**) approaches, and cross-referenced to direct comparison approaches. For the property under development, the residual method was used. For the property under renovation, the income capitalisation approach was used and cross-checked with the direct comparison approach.

Valuation Approach

	As at 30 September 2017	As at 31 March 2017
Income Capitalisation Approach – Capitalisation Rate		
Hong Kong		
Retail properties: weighted average	4.52%	4.53%
Car parks: weighted average	4.74%	4.74%
Overall weighted average	4.57%	4.57%
Mainland China		
Retail properties	4.50% – 4.75%	4.50%
Office properties	4.25%	4.25%
DCF Approach – Discount Rate		
Hong Kong	7.50%	7.50%
Mainland China		
Retail properties	7.25% – 7.75%	7.25%-7.50%
Office properties	7.25%	7.25%

OUTLOOK AND STRATEGY

Our business is well-positioned to maintain the current growth trend, driven by a strong asset enhancement pipeline and a full year of focused asset management platform to build upon. Moving forward, there is good reason for cautious optimism. In a reversal of nearly three years of contraction in the retail market, Hong Kong's latest indicators show a mild growth in the retail market during the first half of the financial year. We are confident that the resilient portfolio of Link is also well-positioned to benefit from any improvements in retail market sentiment.

We believe the favourable low interest environment will gradually dissipate. However, we have maintained a prudent capital management approach that not only offers Link a strong margin of safety from market instabilities but also allows us flexibility to capture any market opportunities that may arise.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Six months ended 30 September 2017 (Unaudited) HK\$'M	Six months ended 30 September 2016 (Unaudited) HK\$'M
	<i>Note</i>		
Revenue	4	4,949	4,608
Property operating expenses	6	(1,182)	(1,168)
Net property income		3,767	3,440
General and administrative expenses		(185)	(157)
Change in fair values of investment properties		9,432	2,978
Operating profit	7	13,014	6,261
Interest income		2	2
Finance costs	8	(288)	(275)
Gains on disposals of investment properties		–	586
Profit before taxation and transactions with Unitholders		12,728	6,574
Taxation	10	(589)	(517)
Profit for the period, before transactions with Unitholders		12,139	6,057
Distributions paid to Unitholders		(2,581)	(2,404)
		9,558	3,653
Represented by:			
Change in net assets attributable to Unitholders, excluding issues of new units and units bought back		10,228	3,138
Amount arising from cash flow hedging reserve and exchange reserve movements	23	(677)	411
Non-controlling interest		7	104
		9,558	3,653
Profit for the period, before transactions with Unitholders attributable to			
– Unitholders (<i>Note</i>)	11	12,132	5,953
– Non-controlling interest		7	104
		12,139	6,057

Note: 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 11 to the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Before transactions with Unitholders (Unaudited) HK\$'M	Transactions with Unitholders (Note (i)) (Unaudited) HK\$'M	After transactions with Unitholders (Note (ii)) (Unaudited) HK\$'M	Non- controlling interest (Unaudited) HK\$'M	Total (Unaudited) HK\$'M
Six months ended 30 September 2017					
Profit for the period	12,132	(12,809)	(677)	7	(670)
Other comprehensive income					
Items that may be reclassified subsequently to the condensed consolidated income statement					
– Cash flow hedging reserve	24	–	24	–	24
– Exchange reserve	653	–	653	–	653
Total comprehensive income for the period	12,809	(12,809)	–	7	7
Six months ended 30 September 2016					
Profit for the period	5,953	(5,542)	411	104	515
Other comprehensive income					
Items that may be reclassified subsequently to the condensed consolidated income statement					
– Cash flow hedging reserve	(51)	–	(51)	–	(51)
– Exchange reserve	(360)	–	(360)	–	(360)
Total comprehensive income for the period	5,542	(5,542)	–	104	104

Notes:

- (i) Transactions with Unitholders comprise the distributions to Unitholders of HK\$2,581 million (2016: HK\$2,404 million) and change in net assets attributable to Unitholders, excluding issues of new units and units bought back, of HK\$10,228 million (2016: HK\$3,138 million).
- (ii) In accordance with the Trust Deed, the units of Link contain contractual obligations 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 2017

	Note	Six months ended 30 September 2017 (Unaudited) HK\$'M	Six months ended 30 September 2016 (Unaudited) HK\$'M
Profit for the period, before transactions with Unitholders attributable to Unitholders		12,132	5,953
Adjustments:			
– Change in fair values of investment properties attributable to Unitholders		(9,424)	(2,874)
– Deferred taxation on change in fair values of investment properties attributable to Unitholders		48	8
– Other non-cash income		(83)	(36)
– Depreciation charge on investment properties under China Accounting Standards		(69)	(42)
– Gains on disposals of investment properties, net of transaction costs		–	(557)
Total Distributable Income (Note (i))		2,604	2,452
Discretionary distribution (Note (ii))		69	42
Total Distributable Amount		2,673	2,494
Interim distribution for the period, to be paid to the Unitholders (Note (iii))		2,673	2,494
Total Distributable Amount as a percentage of Total Distributable Income		103%	102%
Units in issue at 30 September	22	2,199,876,472	2,231,341,276
Distribution per unit to Unitholders for the period (Note (iii))		HK121.50 cents	HK111.75 cents

Notes:

- (i) Under the terms of the Trust Deed, the Total Distributable Income is the consolidated profit after taxation attributable to 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. Link 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. The Manager has decided to distribute 100% (2016: 100%) of Total Distributable Income as the distribution for the six months ended 30 September 2017.
- (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 period.
- (iii) The interim distribution per unit of HK121.50 cents (2016: HK111.75 cents) for the six months ended 30 September 2017 is calculated based on the interim distribution of HK\$2,673 million (2016: HK\$2,494 million) for the period and 2,199,876,472 units (2016: 2,231,341,276 units) in issue as at 30 September 2017, 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 will be paid to Unitholders on 1 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
	<i>Note</i>	
Non-current assets		
Goodwill	12 487	466
Investment properties	13 189,818	174,006
Property, plant and equipment	14 90	87
Derivative financial instruments	20 83	116
	190,478	174,675
Current assets		
Trade and other receivables	15 643	503
Deposits and prepayments	78	77
Derivative financial instruments	20 4	–
Short-term bank deposits	16 100	150
Cash and cash equivalents	16 515	535
	1,340	1,265
Total assets	191,818	175,940
Current liabilities		
Trade payables, receipts in advance and accruals	17 1,936	1,870
Security deposits	1,622	1,494
Provision for taxation	546	305
Current portion of long-term incentive schemes provision	18 60	76
Interest bearing liabilities	19 2,935	300
Derivative financial instruments	20 –	1
	7,099	4,046
Net current liabilities	5,759	2,781
Total assets less current liabilities	184,719	171,894
Non-current liabilities, excluding net assets attributable to Unitholders		
Long-term incentive schemes provision	18 24	37
Interest bearing liabilities	19 30,456	27,197
Derivative financial instruments	20 334	498
Deferred tax liabilities	2,607	2,417
Other non-current liabilities	21 3,401	3,248
	36,822	33,397
Total liabilities, excluding net assets attributable to Unitholders	43,921	37,443
Non-controlling interest	263	256
Net assets attributable to Unitholders	147,634	138,241
Units in issue	22 2,199,876,472	2,213,002,276
Net assets per unit attributable to Unitholders	HK\$67.11	HK\$62.47

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Note	Net assets attributable to Unitholders (Unaudited) HK\$'M	Total reserves (Unaudited) HK\$'M	Non- controlling interest (Unaudited) HK\$'M
At 1 April 2017		138,241	580	256
Issuance of units under the 2007 LTI Plan		93	-	-
Units bought back for cancellation		(928)	-	-
Profit for the six months ended 30 September 2017, before transactions with Unitholders		12,132	-	7
Distributions paid to Unitholders - 2017 final distribution		(2,581)	-	-
Change in fair values of cash flow hedges	23	-	(25)	-
Amount transferred to the condensed consolidated income statement	23	-	49	-
Exchange gain on translation of financial statements	23	-	653	-
Amount arising from cash flow hedging reserve and exchange reserve movements	23	677	(677)	-
Change in net assets attributable to Unitholders and non-controlling interest for the six months ended 30 September 2017, excluding issues of new units and units bought back		<u>10,228</u>	<u>-</u>	<u>7</u>
At 30 September 2017		<u>147,634</u>	<u>580</u>	<u>263</u>
At 1 April 2016		127,387	580	54
Issuance of units under the 2007 LTI Plan		90	-	-
Units bought back for cancellation		(744)	-	-
Profit for the six months ended 30 September 2016, before transactions with Unitholders		5,953	-	104
Distributions paid to Unitholders - 2016 final distribution		(2,404)	-	-
Change in fair values of cash flow hedges		-	(106)	-
Amount transferred to the condensed consolidated income statement		-	55	-
Exchange loss on translation of financial statements		-	(360)	-
Amount arising from cash flow hedging reserve and exchange reserve movements		(411)	411	-
Change in net assets attributable to Unitholders and non-controlling interest for the six months ended 30 September 2016, excluding issues of new units and units bought back		<u>3,138</u>	<u>-</u>	<u>104</u>
At 30 September 2016		<u>129,871</u>	<u>580</u>	<u>158</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Six months ended 30 September 2017 (Unaudited) <i>HK\$'M</i>	Six months ended 30 September 2016 (Unaudited) <i>HK\$'M</i>
	<i>Note</i>	
Operating activities		
Net cash generated from operating activities	3,398	3,150
Investing activities		
Acquisition of business	24 (4,496)	–
Acquisition of an investment property	–	(5,319)
Proceeds from disposal of investment properties	–	3,652
Additions to investment properties	(937)	(591)
Additions to property, plant and equipment	(17)	(19)
Interest income received	2	2
Decrease in short-term bank deposits with original maturity of more than three months	50	26
Net cash used in investing activities	(5,398)	(2,249)
Financing activities		
Proceeds from interest bearing liabilities, net of transaction costs	9,865	18,209
Repayment of interest bearing liabilities	(4,105)	(15,532)
Increase in amount due to non-controlling interest	99	56
Interest expenses paid on interest bearing liabilities	(376)	(405)
Distributions paid to Unitholders	(2,581)	(2,404)
Units bought back for cancellation	(928)	(744)
Net cash generated from/(used in) financing activities	1,974	(820)
Net (decrease)/increase in cash and cash equivalents	(26)	81
Cash and cash equivalents at 1 April	535	336
Effect on exchange rate changes on cash and cash equivalents	6	(5)
Cash and cash equivalents at 30 September	515	412

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Corporate information

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). Link is governed by a trust deed entered into on 6 September 2005 (as amended and supplemented by 11 Supplemental Deeds dated 4 November 2005, 8 November 2005, 16 January 2006, 21 November 2006, 13 July 2007, 23 July 2007, 5 October 2009, 23 July 2010, 25 July 2012, 18 February 2014 and 15 January 2015) (together the **Trust Deed**).

The principal activity of Link and its subsidiaries is investing in real estate (other than real estate of a residential, hotel or serviced apartment nature) and undertaking property development and related activities in respect of all types of developments that contain retail and/or commercial portions. The addresses of the registered offices of the Manager, Link Asset 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 2017 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 2017.

As at 30 September 2017, 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 interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

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 2017, except for the adoption of the following new amendments issued by the HKICPA which became effective for the six months ended 30 September 2017.

HKAS 7 Amendments	Disclosure Initiative
HKAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014–2016 Cycle:	
HKFRS 12 Amendments	Disclosure of Interests in Other Entities

The adoption of these new amendments 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 interpretation, 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 2018.

HKAS 28 (2011) and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
HKAS 40 Amendments	Transfers of Investment Property ⁽¹⁾
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions ⁽¹⁾
HKFRS 4 Amendments	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ⁽¹⁾
HKFRS 9 (2014)	Financial Instruments ⁽¹⁾
HKFRS 15	Revenue from Contracts with Customers ⁽¹⁾
HKFRS 16	Leases ⁽²⁾
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ⁽¹⁾
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ⁽²⁾
Annual Improvements to HKFRSs 2014–2016 Cycle ⁽³⁾	

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

⁽²⁾ effective for accounting periods beginning on or after 1 January 2019

⁽³⁾ effective for accounting periods beginning on or after 1 January 2018 except for HKFRS 12 Amendments which were effective for accounting periods beginning on or after 1 January 2017

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

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

3 Accounting policies (Continued)

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. Preliminary review noted that save for HKFRS 9 (2014) and HKFRS 16 which may require further evaluation to address the recognition, classification and measurement of financial instruments and leases respectively, the adoption of all these new or revised HKFRSs are unlikely to have a significant impact on the Group's financial performance and financial position but may result in new or amended disclosures in the consolidated financial statements.

4 Revenue

Revenue recognised during the period comprises:

	Six months ended 30 September 2017 (Unaudited) HK\$'M	Six months ended 30 September 2016 (Unaudited) HK\$'M
Rentals		
– Retail and commercial properties	3,714	3,439
– Car parks	1,022	967
	4,736	4,406
Other revenue		
– Air conditioning service fees	188	185
– Other property related revenue	25	17
	213	202
Total revenue	4,949	4,608

Leases with tenants provide for monthly base rent and recovery of certain outgoings. Additional rents based on business turnover amounted to HK\$69 million (2016: HK\$71 million) and have been included in the rental income.

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

5 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 six months ended 30 September 2017 (Unaudited)				
Revenue	<u>3,766</u>	<u>1,025</u>	<u>158</u>	<u>4,949</u>
Segment results	2,844	786	(48)	3,582
Change in fair values of investment properties	7,311	1,956	165	9,432
Interest income				2
Finance costs				<u>(288)</u>
Profit before taxation and transactions with Unitholders				12,728
Taxation				<u>(589)</u>
Profit for the period, before transactions with Unitholders				<u>12,139</u>
Capital expenditure	5,402	22	339	5,763
Depreciation	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>(10)</u>

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

5 Segment information (Continued)

	Retail properties HK\$'M	Car parks HK\$'M	Others HK\$'M	Total HK\$'M
As at 30 September 2017 (Unaudited)				
Segment assets	142,816	32,858	14,955	190,629
Goodwill				487
Derivative financial instruments				87
Short-term bank deposits				100
Cash and cash equivalents				515
Total assets				<u>191,818</u>
Segment liabilities	2,702	178	678	3,558
Provision for taxation				546
Long-term incentive schemes provision				84
Interest bearing liabilities				33,391
Derivative financial instruments				334
Deferred tax liabilities				2,607
Other non-current liabilities				3,401
Total liabilities, excluding net assets attributable to Unitholders				<u>43,921</u>
Non-controlling interest				<u>263</u>
Net assets attributable to Unitholders				<u><u>147,634</u></u>

For the six months ended 30 September 2017, revenue of HK\$399 million (2016: HK\$289 million) is attributable to external customers from Mainland China and HK\$4,550 million (2016: HK\$4,319 million) is attributable to external customers from Hong Kong.

As at 30 September 2017, non-current assets of HK\$16,930 million (31 March 2017: HK\$11,203 million) is located in Mainland China and HK\$173,465 million (31 March 2017: HK\$163,356 million) is located in Hong Kong.

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

5 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 six months ended 30 September 2016 (Unaudited)				
Revenue	<u>3,475</u>	<u>969</u>	<u>164</u>	<u>4,608</u>
Segment results	2,590	711	(18)	3,283
Change in fair values of investment properties	884	1,776	318	2,978
Interest income				2
Finance costs				(275)
Gains on disposals of investment properties				<u>586</u>
Profit before taxation and transactions with Unitholders				6,574
Taxation				<u>(517)</u>
Profit for the period, before transactions with Unitholders				<u>6,057</u>
Capital expenditure	6,987	24	232	7,243
Depreciation	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>(9)</u>

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

5 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 2017 (Audited)				
Segment assets	129,601	30,866	14,206	174,673
Goodwill				466
Derivative financial instruments				116
Short-term bank deposits				150
Cash and cash equivalents				535
Total assets				<u>175,940</u>
Segment liabilities	2,446	179	739	3,364
Provision for taxation				305
Long-term incentive schemes provision				113
Interest bearing liabilities				27,497
Derivative financial instruments				499
Deferred tax liabilities				2,417
Other non-current liabilities				3,248
Total liabilities, excluding net assets attributable to Unitholders				<u>37,443</u>
Non-controlling interest				<u>256</u>
Net assets attributable to Unitholders				<u><u>138,241</u></u>

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

6 Property operating expenses

	Six months ended 30 September 2017 (Unaudited) HK\$'M	Six months ended 30 September 2016 (Unaudited) HK\$'M
Property managers' fees, security and cleaning	291	287
Staff costs (<i>Note 9</i>)	243	227
Repair and maintenance	107	121
Utilities	185	187
Government rent and rates	144	147
Promotion and marketing expenses	55	51
Estate common area costs	51	54
Business and real estate taxes in Mainland China	28	17
Other property operating expenses	78	77
	<hr/> 1,182 <hr/>	<hr/> 1,168 <hr/>

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

7 Operating profit

Operating profit for the period is stated after charging:

	Six months ended 30 September 2017 (Unaudited) HK\$'M	Six months ended 30 September 2016 (Unaudited) HK\$'M
Staff costs (<i>Note 9</i>)	348	327
Depreciation of property, plant and equipment	10	9
Trustee's fee	9	8
Valuation fee	1	1
Auditor's remuneration		
Audit and audit-related assurance services	1	1
Acquisition related professional fees	1	–
Total auditor's remuneration	2	1
Bank charges	3	3
Commission to property agents	1	1
Donations	9	10
Exchange loss/(gain)	21	(8)
Operating lease charges	17	17
Other legal and professional fees	3	5
	<u> </u>	<u> </u>

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

8 Finance costs

	Six months ended 30 September 2017 (Unaudited) HK\$'M	Six months ended 30 September 2016 (Unaudited) HK\$'M
Interest expenses on interest bearing liabilities	369	340
Other borrowing costs (<i>Note (i)</i>)	73	71
	442	411
Less: capitalised under investment properties (<i>Note (ii)</i>)	(176)	(160)
	266	251
Fair value loss on non-controlling interest put option obligation (<i>Note 21</i>)	22	24
	288	275

Notes:

- (i) Other borrowing costs include HK\$32 million (2016: HK\$30 million) interest expenses to non-controlling interest, HK\$49 million (2016: HK\$55 million) net losses on interest rate swap contracts designated as cash flow hedges, HK\$38 million (2016: HK\$42 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 2.5% (2016: 2.5%) per annum.

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

9 Staff costs

	Six months ended 30 September 2017 (Unaudited) HK\$'M	Six months ended 30 September 2016 (Unaudited) HK\$'M
Wages and salaries	302	274
Contributions to mandatory provident fund scheme	7	7
Long-term incentive schemes awards (<i>Note 18</i>)	73	78
	382	359
Less: capitalised under investment properties	(34)	(32)
Staff costs (<i>Note 7</i>)	348	327

Staff costs can be further analysed as below:

	Six months ended 30 September 2017 (Unaudited) HK\$'M	Six months ended 30 September 2016 (Unaudited) HK\$'M
Included under property operating expenses (<i>Note 6</i>)	243	227
Included under general and administrative expenses	105	100
	348	327

**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% (2016: 16.5%) on the estimated assessable profit for the period. Corporate income tax in Mainland China has been provided for at the rate of 25% (2016: 25%) on the estimated assessable profit for the period.

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

	Six months ended 30 September 2017 (Unaudited) HK\$'M	Six months ended 30 September 2016 (Unaudited) HK\$'M
Current taxation		
– Hong Kong	394	395
– Mainland China	43	35
Deferred taxation	152	87
Taxation	589	517

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

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

	Six months ended 30 September 2017 (Unaudited)	Six months ended 30 September 2016 (Unaudited)
Profit after taxation and before transactions with Unitholders attributable to Unitholders	<u>HK\$12,132 million</u>	<u>HK\$5,953 million</u>
Weighted average number of units for the period for calculating basic earnings per unit	2,211,438,141	2,242,673,993
Adjustment for dilutive contingently issuable units under long-term incentive schemes	<u>1,664,197</u>	<u>1,929,485</u>
Weighted average number of units for the period for calculating diluted earnings per unit	<u>2,213,102,338</u>	<u>2,244,603,478</u>
Basic earnings per unit based upon profit after taxation and before transactions with Unitholders attributable to Unitholders	<u>HK\$5.49</u>	<u>HK\$2.65</u>
Diluted earnings per unit based upon profit after taxation and before transactions with Unitholders attributable to Unitholders	<u>HK\$5.48</u>	<u>HK\$2.65</u>

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

12 Goodwill

	Carrying value (Unaudited) HK\$'M
At 1 April 2017	466
Exchange adjustments	6
Acquisition of business (<i>Note 24</i>)	15
	<hr/>
At 30 September 2017	487
	<hr/> <hr/>

13 Investment properties

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

	Completed properties (Unaudited) HK\$'M	Property under development (Unaudited) HK\$'M	Total (Unaudited) HK\$'M
At 1 April 2017	166,657	7,349	174,006
Exchange adjustments	630	–	630
Acquisition of business (<i>Note 24</i>)	4,580	–	4,580
Additions	847	323	1,170
Change in fair values	9,413	19	9,432
	<hr/>	<hr/>	<hr/>
At 30 September 2017	182,127	7,691	189,818
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(b) Valuation process

The investment properties were revalued on an open market value basis as at 31 March and 30 September 2017 by Jones Lang LaSalle Limited, an independent firm of professional qualified valuers and the principal valuer of Link.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

13 Investment properties (Continued)

(c) Valuation techniques

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

The income capitalisation approach is based on the capitalisation of the current passing rental income and potential reversionary income of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The appropriate adjustments/deductions for rent-free period, ongoing vacancy voids/marketing periods and non-recoverable expenses for the vacant space have been allowed.

The discounted cash flow analysis requires periodic net cash flows to be forecasted over the life of the investment and discounted at a risk-adjusted opportunity cost of capital to arrive at a present value. The discounted cash flow analysis takes into consideration the yearly net cash flows after deductions for expenditure, and having regard to the assumptions made relating to rental growth projections, vacancies, rent frees, replacement reserve, non-recoverable outgoings and leasing costs. The discounted cash flow analysis incorporates an assumed 10-year holding period and the reversionary value in year eleven, discounted by an appropriate discount rate to derive a net present value.

The residual valuation method involves firstly the assessment of gross development value, which is the value of the proposed development, as if completed, at the date of valuation. Estimated outstanding cost of the development including costs of construction, professional fee, finance costs and associated costs, plus an allowance for developer's risk and profit are deducted from the gross development value. The resultant figure is the residual value.

The investment properties are included in Level 3 (31 March 2017: Level 3) of the fair value hierarchy.

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

Link acquired 77 Hoi Bun Road in Kowloon East for commercial development, 700 Nathan Road in Mong Kok and Metropolitan Plaza in Guangzhou, the completion of which were on 23 February 2015, 15 April 2016 and 11 May 2017 respectively. In accordance with the REIT Code, Link is prohibited from disposing of its properties for at least two years from either the time such properties are acquired or the dates of the completion of the development of the properties, unless the Unitholders approved the proposed disposal by way of special resolution passed in accordance with the Trust Deed.

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

14 Property, plant and equipment

	Leasehold improvements (Unaudited) <i>HK\$'M</i>	Motor vehicles (Unaudited) <i>HK\$'M</i>	Equipment (Unaudited) <i>HK\$'M</i>	Total (Unaudited) <i>HK\$'M</i>
At 1 April 2017	11	1	75	87
Acquisition of business (Note 24)	–	–	2	2
Additions	2	–	9	11
Depreciation charge for the period	(2)	–	(8)	(10)
At 30 September 2017	11	1	78	90
At 30 September 2017				
Cost	80	5	196	281
Accumulated depreciation	(69)	(4)	(118)	(191)
Net book value	11	1	78	90

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

15 Trade and other receivables

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
Trade receivables	104	82
Less: provision for impairment of trade receivables	(5)	(4)
Trade receivables – net	99	78
Other receivables	544	425
	643	503

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:

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
0–30 days	94	73
31–90 days	5	5
Over 90 days	5	4
	104	82

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.

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

16 Cash and cash equivalents and short-term bank deposits

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
Cash at bank	460	212
Short-term bank deposits with original maturity of less than three months	55	323
Cash and cash equivalents	515	535
Short-term bank deposits with original maturity of more than three months	100	150
	615	685

17 Trade payables, receipts in advance and accruals

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
Trade payables	145	175
Receipts in advance	277	243
Accruals	1,514	1,452
	1,936	1,870

The carrying amounts of these payables approximate their fair values.

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

17 Trade payables, receipts in advance and accruals (Continued)

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

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
0–30 days	138	170
31–90 days	7	5
	<u>145</u>	<u>175</u>

18 Long-term incentive schemes provision

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
Long-term incentive schemes provision	84	113
Less: current portion of long-term incentive schemes provision	<u>(60)</u>	<u>(76)</u>
Non-current portion of long-term incentive schemes provision	<u>24</u>	<u>37</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

18 Long-term incentive schemes provision (Continued)

2007 LTI Plan

A long-term incentive plan (the **2007 LTI Plan**) was adopted on 23 July 2007 and expired on 22 July 2017 after being in operation for 10 years. After its expiry, no further awards shall be granted under the 2007 LTI Plan. Nonetheless, awards granted and accepted prior to its expiry but yet to vest shall continue to have effect and be governed by the provisions of the 2007 LTI Plan.

Under the 2007 LTI Plan, the Manager might grant three types of awards – restricted unit award, unit option and conditional cash award – to directors and key employees of the Manager. No unit option has ever been granted under 2007 LTI Plan since its adoption up till expiry.

For those restricted unit awards granted with performance goals, the eventual numbers of new units to be issued to the relevant grantees on vesting are linked to the performance of Link in terms of total Unitholders return (**TUR**) and net property income (**NPI**) or certain vesting conditions. Conditional cash awards are granted in conjunction with restricted unit awards, bestowing upon each grantee a conditional right to receive a cash payment representing an amount equivalent to the aggregate of the distributions during the vesting period.

During the period, the Group issued 1,561,196 units (2016: 1,600,140 units) for restricted unit awards vested in accordance with the 2007 LTI Plan.

2017 LTI Scheme

On 10 July 2017, Link adopted a new long-term incentive scheme (the **2017 LTI Scheme**). Under the 2017 LTI Scheme, the Manager may grant restricted unit awards and conditional cash awards to directors of the Manager and key employees of the Group.

During the period, certain directors and employees of the Manager were granted restricted unit awards and conditional cash awards at nil monetary consideration under the 2017 LTI Scheme. The restricted unit awards granted under the 2017 LTI Scheme, in general, will vest approximately two to three years from the date of grant. Under the 2017 LTI Scheme, units will be purchased in the grantees' favour from open stock market to satisfy restricted units awards vested. For those restricted unit awards granted with performance goals, the eventual numbers of units to be purchased in each grantee's favour upon vesting are linked to the performance of Link based on the TUR, NPI or certain vesting conditions. Conditional cash awards were also granted in conjunction with the restricted unit awards, bestowing upon each grantee a conditional right to receive a cash payment representing an amount equivalent to the aggregate of the distributions during the vesting period.

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

18 Long-term incentive schemes provision (Continued)

During the vesting period, a liability is recognised representing the estimated value of the awards granted under both the 2007 LTI Plan and the 2017 LTI Scheme 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, distribution pay-out rates and other market conditions, if appropriate. 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.

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

Date of grant	Vesting period	Outstanding as at 1 April 2017	Granted during the period	Vested during the period ⁽ⁱ⁾	Cancelled during the period	Lapsed during the period	Outstanding as at 30 September 2017	Maximum to be issued on vesting date ⁽ⁱⁱ⁾
2007 LTI Plan								
17 July 2014	17 July 2014 to 30 June 2017	422,690	-	(413,583) ⁽ⁱⁱⁱ⁾	-	(9,107)	-	-
24 July 2015	24 July 2015 to 30 June 2017	408,590	-	(406,083) ⁽ⁱⁱⁱ⁾	-	(2,507)	-	-
	24 July 2015 to 30 June 2018	404,094	-	-	-	(17,055)	387,039	734,828
14 November 2016	14 November 2016 to 30 June 2018	443,286	-	-	-	(15,931)	427,355	794,710
	14 November 2016 to 30 June 2019	441,690	-	-	-	(16,454)	425,236	790,472
2007 LTI Plan subtotal		2,120,350	-	(819,666)	-	(61,054)	1,239,630	2,320,010

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

18 Long-term incentive schemes provision (Continued)

Date of grant	Vesting period	Outstanding as at 1 April 2017	Granted during the period	Vested during the period ⁽ⁱ⁾	Cancelled during the period	Lapsed during the period	Outstanding as at 30 September 2017	Maximum to be issued on vesting date ⁽ⁱⁱⁱ⁾
2017 LTI Scheme								
14 July 2017	14 July 2017 to 30 June 2019	-	432,500	-	(2,500)	(11,000)	419,000	922,907
	14 July 2017 to 30 June 2020	-	432,500	-	(2,500)	(11,000)	419,000	922,907
2017 LTI Scheme subtotal		-	865,000	-	(5,000)	(22,000)	838,000	1,845,814
Subtotal		2,120,350	865,000	(819,666)	(5,000)	(83,054)	2,077,630	4,165,824
Additional units vested over 100% of restricted unit award granted		-		(741,530) ⁽ⁱⁱⁱ⁾	-	-	-	-
Total		<u>2,120,350</u>	<u>865,000</u>	<u>(1,561,196)</u>	<u>(5,000)</u>	<u>(83,054)</u>	<u>2,077,630</u>	<u>4,165,824</u>

Notes:

(i) Restricted unit award vesting percentages during the period ranged from 100% to 200%.

(ii) If certain vesting conditions are met.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

19 Interest bearing liabilities

	30 September 2017 (Unaudited) <i>HK\$'M</i>	31 March 2017 (Audited) <i>HK\$'M</i>
Bank borrowings	17,436	11,361
Medium term notes	15,955	16,136
	33,391	27,497
Less: current portion of interest bearing liabilities	(2,935)	(300)
Non-current portion of interest bearing liabilities	30,456	27,197

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

19 Interest bearing liabilities (Continued)

Interest bearing liabilities are repayable as follows:

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
Due in the first year		
Bank borrowings	1,841	–
Medium term notes	1,094	300
	<u>2,935</u>	<u>300</u>
Due in the second year		
Bank borrowings	5,984	1,492
Medium term notes	722	1,095
	<u>6,706</u>	<u>2,587</u>
Due in the third year		
Bank borrowings	2,980	3,481
Medium term notes	962	1,336
	<u>3,942</u>	<u>4,817</u>
Due in the fourth year		
Bank borrowings	5,466	2,476
Medium term notes	202	349
	<u>5,668</u>	<u>2,825</u>
Due in the fifth year		
Bank borrowings	570	3,497
Medium term notes	1,761	1,434
	<u>2,331</u>	<u>4,931</u>
Due beyond the fifth year		
Bank borrowings	595	415
Medium term notes	11,214	11,622
	<u>11,809</u>	<u>12,037</u>
	<u><u>33,391</u></u>	<u><u>27,497</u></u>

Notes:

- (i) Except for medium term notes of HK\$7,416 million (31 March 2017: HK\$7,306 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 2.50% (31 March 2017: 2.65%). The carrying amounts of the interest bearing liabilities approximate their fair values.

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

20 Derivative financial instruments

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
Derivative assets		
Current item		
Designated as fair value hedge – interest rate swap contract	4	–
Non-current items		
Designated as cash flow hedge – interest rate swap contracts	17	73
Designated as fair value hedge – cross currency swap contracts	30	–
– interest rate swap contracts	36	43
	<u>83</u>	<u>116</u>
	87	116
Derivative liabilities		
Current item		
Designated as cash flow hedge – interest rate swap contract	–	1
Non-current items		
Designated as cash flow hedge – interest rate swap contracts	33	112
Designated as fair value hedge – cross currency swap contracts	297	373
– interest rate swap contracts	4	13
	<u>334</u>	<u>498</u>
	334	499
	<u>247</u>	<u>383</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

20 Derivative financial instruments (Continued)

Notes:

- (i) 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.
- (ii) 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 2017: Level 2) of the fair value hierarchy. During the six months ended 30 September 2016 and 2017, there were no transfers between the three levels of the fair value hierarchy.

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\$24 million has been credited (2016: HK\$51 million had been debited) to the hedging reserve during the period as further set out in Note 23.

As at 30 September 2017, the derivative financial instruments qualifying as cash flow hedges have, in effect, provided the Group with an average fixed interest rate period of 4.8 years on HK\$10,000 million borrowings (31 March 2017: 5.3 years on HK\$7,000 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 2017 were HK\$10,000 million (31 March 2017: HK\$7,000 million) and 1.74% (31 March 2017: 1.82%) respectively. The notional principal amount of the outstanding floating rates to floating rates interest rate swap contracts as at 30 September 2017 was HK\$7,000 million (31 March 2017: HK\$7,000 million).

As at 30 September 2017, 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 2017 were HK\$7,753 million (31 March 2017: HK\$7,753 million) and HK\$1,910 million (31 March 2017: HK\$1,910 million) respectively.

Gains and losses on interest rate swap contracts recognised in the hedging reserve (Note 23) as at 30 September 2017 will be released to the condensed consolidated income statement.

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

21 Other non-current liabilities

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
Amount due to non-controlling interest	2,749	2,618
Non-controlling interest put option obligation	652	630
	<u>3,401</u>	<u>3,248</u>

Notes:

- (i) On 23 February 2015, the Group through a non-wholly owned subsidiary (the **Project Company**, in which Link has an indirect 60% interest and Nan Fung Development Limited (**Nan Fung**) has an indirect 40% interest) acquired 77 Hoi Bun Road in Kowloon East for commercial development. For the purpose of funding the commercial development, Nan Fung, a non-controlling interest of the Project Company has contributed cash in proportion to the shareholding ratio to the Project Company. The amount due to non-controlling interest is unsecured, interest bearing at an effective interest rate of 2.5% (31 March 2017: 2.6%), has no fixed repayment term and is not repayable within one year. Such amount due to non-controlling interest including any accrued interest will be repaid from the Project Company's surplus cash after meeting its payment obligations.
- (ii) Pursuant to the shareholders' agreement, Nan Fung has a right to exercise a put option to require Link to purchase all the issued shares Nan Fung holds in the Project Company at the then fair market value, after the second anniversary of the completion of the commercial property development and certain conditions have been satisfied. The non-controlling interest put option obligation was recognised as a financial liability based on a valuation performed by Crowe Horwath (HK) Consulting & Valuation Limited, an independent firm of professional qualified valuers. The valuer has used discounted cash flow as the valuation technique. The valuation is based on various assumptions and calculated by reference to a number of unobservable inputs, including the estimated fair value of the equity interests of the Project Company at the expected time of exercise of the put option, the expected time of exercise itself, the cash flow and the discount rate used. The Manager held discussions with the valuer and reviewed all significant inputs used. Discussions of the valuation processes and results at each reporting date are held between the Manager and the valuer. Fair value of the put option obligation is included in Level 3 (31 March 2017: Level 3) of the fair value hierarchy.

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

21 Other non-current liabilities (Continued)

The movement of non-controlling interest put option obligation during the period is as follows:

	Fair value (Unaudited) HK\$'M
At 1 April 2017	630
Recognised in the condensed consolidated income statement:	
– Fair value loss (<i>Note 8</i>)	22
	<hr/>
At 30 September 2017	<u>652</u>

22 Units in issue

	Number of units (Unaudited)
At 1 April 2017	2,213,002,276
Units bought back for cancellation	(14,687,000)
Units issued under the 2007 LTI Plan	1,561,196
	<hr/>
At 30 September 2017	<u>2,199,876,472</u>

Pursuant to the general mandate granted to the Manager by the Unitholders, the Manager (on behalf of Link) bought back a total of 14,687,000 units (2016: 13,407,000 units) at an aggregate price of HK\$928 million (2016: HK\$744 million). All units bought back were cancelled during the period.

Closing price of the units as at 30 September 2017 was HK\$63.30 (31 March 2017: HK\$54.45) per unit. Based on 2,199,876,472 units in issue as at 30 September 2017 (31 March 2017: 2,213,002,276 units), market capitalisation was HK\$139,252 million (31 March 2017: HK\$120,498 million).

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

23 Reserves

	Other reserve (Unaudited) <i>HK\$'M</i>	Hedging reserve (Unaudited) <i>HK\$'M</i>	Exchange reserve (Unaudited) <i>HK\$'M</i>	Earnings retained for cash flow hedge and foreign exchange translation adjustments (Unaudited) <i>HK\$'M</i>	Total reserves (Unaudited) <i>HK\$'M</i>
At 1 April 2017	(580)	(40)	(886)	926	(580)
Cash flow hedges:					
– Change in fair values	–	(25)	–	–	(25)
– Amount transferred to the condensed consolidated income statement (<i>Note</i>)	–	49	–	–	49
	–	24	–	–	24
Exchange gain on translation of financial statements	–	–	653	–	653
Net assets attributable to Unitholders:					
– Amount arising from cash flow hedging reserve and exchange reserve movements	–	–	–	(677)	(677)
At 30 September 2017	(580)	(16)	(233)	249	(580)

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

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

24 Acquisition of business

On 7 April 2017, Link, through a wholly-owned subsidiary, entered into a sale and purchase agreement to acquire the entire issued share capital of GCREF Acquisitions 22 Limited and the shareholder loan at a cash consideration (after final adjustment) of RMB4,047 million (equivalent to approximately HK\$4,559 million). The transaction was completed on 11 May 2017. GCREF Acquisitions 22 Limited indirectly owns the entire registered capital of 廣州牽晴匯房地產有限公司 (Guangzhou Qian Qing Hui Real Estate Company Limited), which owns the Metropolitan Plaza located at No. 8 Huangsha Road, Liwan District, Guangzhou, The People's Republic of China.

The acquisition will benefit Link through adding quality income-producing properties with capital appreciation potential.

The fair values of the assets and liabilities and goodwill arising from the acquisition are as follows:

	Fair value (Unaudited) HK\$'M
Investment property (<i>Note 13</i>) (<i>Note</i>)	4,580
Property, plant and equipment (<i>Note 14</i>)	2
Cash and cash equivalents	63
Other net current liabilities	(65)
Deferred tax liabilities	(36)
	<hr/>
Net assets acquired	4,544
Goodwill (<i>Note 12</i>)	15
	<hr/>
Purchase consideration settled in cash	4,559
Cash and cash equivalents in subsidiaries acquired	(63)
	<hr/>
Cash outflow on acquisition	4,496
	<hr/> <hr/>

Note: Metropolitan Plaza was valued at 28 February 2017 by Jones Lang LaSalle Limited, the principal valuer of Link. This approximates the fair value of the investment property at the acquisition date.

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

25 Capital commitments

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
Capital expenditure of investment properties contracted but not provided for at the end of the period	<u>2,936</u>	<u>3,219</u>

26 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 the nature of their relationship with the Group as at 30 September 2017:

Connected/related party	Relationship with the Group
HSBC Institutional Trust Services (Asia) Limited (the Trustee) *	The Trustee of Link
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (excluding the Trustee and its proprietary subsidiaries) (the HSBC Group) *	Associates # of the Trustee
Jones Lang LaSalle Limited (the Principal Valuer) (<i>Note (i)</i>)	The current Principal Valuer of Link
CBRE Limited (<i>Note (ii)</i>)	The former Principal Valuer of Link
Aedas Limited *	Associate # of director
The Chamber of Hong Kong Listed Companies	Associate # of director

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

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

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

**26 Connected party transactions and significant related party transactions and balances
(Continued)**

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

Notes:

- (i) Jones Lang LaSalle Limited is the current Principal Valuer of Link who is responsible for the property valuation of Link for the six months ended 30 September 2017. Jones Lang LaSalle Limited was appointed as the Principal Valuer of Link with effect from 17 November 2016.
- (ii) CBRE Limited was the former Principal Valuer of Link who was responsible for the property valuation of Link up till the six months ended 30 September 2016. CBRE Limited retired as the Principal Valuer of Link in accordance with the REIT Code on 16 November 2016 and since then, CBRE Limited ceased to be a connected party of Link.

(b) Transactions with connected/related parties

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

	Six months ended 30 September 2017 (Unaudited) HK\$'M	Six months ended 30 September 2016 (Unaudited) HK\$'M
Trustee's fee paid and payable to the Trustee (Note (ii))	(9)	(8)
Transactions with the HSBC Group (Note (iii))		
Interest expense and various financing charges to the HSBC Group on interest bearing liabilities, cross currency swap contracts and interest rate swap contracts	(44)	(38)
Rental income from the HSBC Group on leasing of retail units	19	17
Interest income from the HSBC Group on short-term bank deposits	1	1
Transactions with the Principal Valuer (Notes (iii) and (iv))		
Valuation fee	(1)	(1)
Consultancy services fees	-	(3)
Architectural/renovation consultancy services fees paid and payable to Aedas Limited (Notes (iii) and (v))	(7)	(11)
	<u>(7)</u>	<u>(11)</u>

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

**26 Connected party transactions and significant related party transactions and balances
(Continued)**

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

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 rates ranging from 0.008% per annum to 0.03% 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 Link 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) Jones Lang LaSalle Limited was appointed as the Principal Valuer of Link with effect from 17 November 2016. The former Principal Valuer, CBRE Limited, was responsible for the property valuation of Link up till the six months ended 30 September 2016. Valuation fee for the six months ended 30 September 2017 of HK\$1 million was payable to Jones Lang LaSalle Limited (2016: HK\$1 million was paid to CBRE Limited).
- (v) Aedas Limited is an associate of Mr Ian Keith GRIFFITHS.

(c) Balances with related parties

Balances with related parties are set out below:

	30 September 2017 (Unaudited) HK\$'M	31 March 2017 (Audited) HK\$'M
Trustee's fee payable to the Trustee	(1)	(1)
Interest bearing liabilities with the HSBC Group	(4,383)	(3,165)
Net interest payable to the HSBC Group	(1)	(1)
Security deposits from the HSBC Group	(3)	(2)
Cross currency swap contracts and interest rate swap contracts with the HSBC Group	(153)	(188)
Deposits placed with the HSBC Group	284	173
Architectural/renovation consultancy services fees payable to Aedas Limited	—	(1)
	—————	—————

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

**26 Connected party transactions and significant related party transactions and balances
(Continued)**

(d) Key management compensation

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

	Six months ended 30 September 2017 (Unaudited) HK\$'M	Six months ended 30 September 2016 (Unaudited) HK\$'M
Fees	4	5
Basic salaries, allowances and other benefits	69	57
Long-term incentive schemes awards	46	44
	119	106

27 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information was authorised for issue by the Board on 8 November 2017.

APPRECIATION

The Board would like to thank management and staff for their ongoing hard work and dedications which allow Link to deliver strong results. The Board's appreciation is extended to our customers, suppliers and Unitholders for their continuous support and confidence in Link.

Mr William CHAN Chak Cheung (***Mr William CHAN***) has indicated to the Board that he wishes to retire as an Independent Non-Executive Director of the Manager from 9 November 2017. Details of Mr William CHAN's retirement will be announced separately. Taking the opportunity, the Board would like to thank Mr William CHAN for his services and valuable contributions in the past years.

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE AND AUDITOR

The interim results and the condensed consolidated interim financial information of the Group for the six months ended 30 September 2017 have been reviewed by the Audit and Risk Management Committee. The condensed consolidated interim financial information has also been reviewed by PricewaterhouseCoopers, Link'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 2017, Link and the Manager complied with the Code on Real Estate Investment Trusts, the Securities and Futures Ordinance, applicable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ***Listing Rules***), the trust deed of Link (as amended by supplemental deeds), and the Manager's compliance manual. Link and the Manager also applied the principles and complied with, to the extent appropriate, the code provisions in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the period.

The corporate governance policy and practices adopted for the six months ended 30 September 2017 remained in line with those in place for the financial year ended 31 March 2017 as disclosed in the corporate governance report in Annual Report 2016/2017 of Link. Further details will be set out in Interim Report 2017/2018 of Link.

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

During the period under review, the Manager (on behalf of Link) bought back a total of 14,687,000 units on The Stock Exchange of Hong Kong Limited at an aggregate consideration (excluding expenses) of approximately HK\$928 million. Further details are set out as follows:

Month	Number of units bought back	Purchase price per unit		Aggregate consideration (excluding expenses) HK\$'M
		Highest HK\$	Lowest HK\$	
2017				
July	153,500	62.00	61.55	9.5
August	13,194,000	64.00	62.40	833.7
September	1,339,500	64.00	63.05	84.7

All the units bought back were cancelled prior to the period 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 period under review.

ISSUE OF NEW UNITS

During the period under review, 1,561,196 new units of Link were issued pursuant to the long-term incentive plan of Link adopted on 23 July 2007. Based on 2,199,876,472 units in issue as at 30 September 2017, the number of new units issued in the period 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.

INTERIM DISTRIBUTION AND CLOSURE OF REGISTER OF UNITHOLDERS

The interim distribution of HK121.50 cents per unit for the six months ended 30 September 2017 will be paid in cash on Friday, 1 December 2017 to those Unitholders whose names appear on the register of Unitholders of Link on Monday, 27 November 2017. For the purpose of ascertaining Unitholders' entitlement to the interim cash distribution, the register of Unitholders of Link will be closed from Thursday, 23 November 2017 to Monday, 27 November 2017 (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 Link's unit registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 22 November 2017.

DESPATCH OF INTERIM REPORT 2017/2018

The Interim Report 2017/2018 of Link will be despatched to Unitholders on Tuesday, 28 November 2017.

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 November 2017

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

Elaine Carole YOUNG