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領展
LINK

Link Real Estate Investment Trust

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

(stock code: 823)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 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 audited consolidated final results of Link and its subsidiaries (the ***Group***) for the year ended 31 March 2017.

The final results and the consolidated financial statements of the Group for the year ended 31 March 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 7 June 2017.

OVERALL FINANCIAL RESULTS

During the year, revenue and net property income increased by 5.9% and 7.4% year-on-year to HK$9,255 million (2016: HK$8,740 million) and HK$6,994 million (2016: HK$6,513 million), respectively. Distribution per unit (***DPU***) for the year increased by 10.8% to HK228.41 cents (2016: HK206.18 cents), comprising an interim DPU of HK111.75 cents (2016: HK98.99 cents) and a final DPU of HK116.66 cents (2016: HK107.19 cents). The total DPU represents a distribution yield of 4.2% based on the closing market price of the units of HK$54.45 on 31 March 2017. As a result, Link delivered a total return (including unit price appreciation and distribution yield) of 23.3% for the year.

Valuation of the investment properties portfolio (including property under development and renovation and properties in Mainland China) continued to improve and reached HK$174,006 million, representing an increase of 8.3% compared to 31 March 2016. Net asset value per unit grew 10.0% year-on-year to HK$62.47 (31 March 2016: HK$56.79).

MANAGEMENT DISCUSSION AND ANALYSIS

Our four strategic priorities continued to guide us in delivering better returns for our stakeholders and moving us towards the vision of becoming a world class real estate investor and manager serving and improving the lives of those around us. During the year, we strengthened our operational platform through our growth drivers, practised a prudent capital management strategy and supported the growth of our staff, tenants and communities.

Building a More Productive and Higher Quality Portfolio

Improving our portfolio quality allows us to sustain growth and long-term value. With a portfolio of over 150 properties (with over 11,000 tenancies) in Hong Kong, and three properties in Mainland China, we provide a strong platform for our tenants to flourish. During the year under review, we maintained high occupancy and our tenants' sales outperformed the overall Hong Kong retail market and we continued to enhance our portfolio by our asset management know-how through our proven business growth drivers – management, enhancement, acquisition, disposal and development.

Management

Management of our properties is our key growth driver. Through the asset management knowledge we gained over the decade, we continue to enhance our tenant mix, provide more and better retail offerings to shoppers and drive operational efficiency.

Leveraging on our asset management expertise, we rolled out our asset management model in April 2016. A dedicated team of experienced asset managers was established to drive customer focus and enhance productivity and financial returns on assets. Each asset manager has direct responsibility for the overall performance of the portfolio of assets assigned to him or her and coordinates leasing, property and customer services in a holistic approach for good customer experience and operational efficiency. This asset management expertise build-up drives asset performance and brings long-term value and growth. We will expand coverage of the model to over 40 retail properties under nine clusters and plan to extend the holistic asset management approach to the entire portfolio for better operational and financial performance.

Hong Kong Portfolio

Retail

The Hong Kong retail market was challenging during the year. However, our portfolio continued to show resilience given our focus on mass market non-discretionary trades. Occupancy rate for the portfolio stood at 96.1% as at 31 March 2017. Reversion rate for the year remained strong at 23.8%, while retail rental recorded a 4.2% increase year-on-year. Average monthly unit rent improved from HK$50.0 psf as at 31 March 2016 to HK$55.3 psf as at 31 March 2017.

Operational statistics of the retail portfolio

	Occupancy rate		Reversion rate		% of total area [1]
	As at 31 March 2017	As at 31 March 2016	**Year ended 31 March 2017**	Year ended 31 March 2016	**As at 31 March 2017**
	%	%	**%**	%	**%**
Shops	**97.1**	97.1	**23.4**	29.0	**83.2**
Markets/Cooked food stalls	**90.3**	89.1	**27.0**	10.4	**9.3**
Education/Welfare and Ancillary	**91.4**	92.4	**20.5**	14.3	**7.5**
Total	**96.1**	96.0	**23.8**	25.9	**100.0**

Note:

(1) Total excluding self use office.

Starting last year, we categorised our properties into three segments to better define the property management strategy and allocation of resources – Destination, Community and Neighbourhood – all of which demonstrated steady growth in the past year.

Retail portfolio breakdown

	No. of properties	Retail properties valuation	Retail rentals	Average monthly unit rent [1]		Occupancy rate	
		As at 31 March 2017	**Year ended 31 March 2017**	**As at 31 March 2017**	As at 31 March 2016	**As at 31 March 2017**	As at 31 March 2016
Properties		***HK$'M***	***HK$'M***	***HK$ psf*** [2]	*HK$ psf* [2]	**%**	%
Destination	6	**22,320**	**1,073**	**74.0**	70.8	**96.7**	97.3
Community	38	**62,504**	**3,307**	**65.0**	60.8	**96.9**	97.0
Neighbourhood	81	**33,797**	**1,832**	**39.0**	36.3	**95.1**	95.1
700 Nathan Road [3]	1	**6,118**	**17**	**–**	N.A.	**–**	N.A.
14 properties disposed [4]	–	**N.A.**	**123**	**N.A.**	26.9	**N.A.**	93.4
Total	126	**124,739**	**6,352**	**55.3**	50.0	**96.1**	96.0

Notes:

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

(2) psf means per square foot.

(3) The acquisition of 700 Nathan Road was completed on 15 April 2016. Income above was derived from street shops from acquisition of the property to their leases expiry in November 2016. As at 31 March 2017, the tower and podium were vacant due to renovation.

(4) Represents revenue up to completion of disposals of the 14 properties in May 2016 and February 2017.

Portfolio lease expiry profile
(As at 31 March 2017)

	% of total area %	% of monthly rent %
2017/2018	28.4	30.7
2018/2019	28.0	26.8
2019/2020 and Beyond	32.7	36.1
Short-term Lease and Vacancy	10.9	6.4
Total	**100.0**	**100.0**

Car Parks

Representing 18.9% of our business in Hong Kong by value, our car parks had consistently contributed income growth and recorded a year-on-year increase of 5.1%. Our Park & Dine mobile app and enhanced shopping environment helped drive visitations to our shopping centres, especially the hourly parking. The continuously increasing number of new private cars on the road also gave rise to a growing demand for car park spaces at our car parks – which led to growth in car park income.

Car park income per space per month increased by 10.7% year-on-year to HK$2,239 for the year ended 31 March 2017.

Key car park performance indicators

	Year ended 31 March 2017	Year ended 31 March 2016
Car park income per space per month (HK$)	**2,239**	2,022

	As at 31 March 2017	As at 31 March 2016
Total valuation (HK$'M)	**30,813**	28,888
Average valuation per space (HK$'000)	**446**	384

Mainland China Portfolio

Our two properties in Mainland China – EC Mall in Beijing and Link Square 1 & 2 in Shanghai (previously known as Corporate Avenue 1 & 2) – continued to deliver strong results. As Link Square 1 & 2 made a full-year contribution, the two properties contributed revenue of HK$574 million and net property income of HK$459 million during the year, representing a 36.3% and a 47.6% year-on-year increase respectively.

Being fully occupied, both properties created value and enhanced our overall portfolio quality. Retail reversion rate was 37.1% for EC Mall and office reversion rate was 10.8% for Link Square 1 & 2 during the year.

EC Mall retail lease expiry profile
(As at 31 March 2017)

	% of total area %	**% of monthly rent %**
2017/2018	24.4	32.9
2018/2019	11.0	15.1
2019/2020 and Beyond	64.6	52.0
Total	**100.0**	**100.0**

Link Square 1 & 2 office lease expiry profile
(As at 31 March 2017)

	% of total area %	**% of monthly rent %**
2017/2018	24.8	23.9
2018/2019	10.4	11.0
2019/2020 and Beyond	64.8	65.1
Total	**100.0**	**100.0**

Enhancement

Asset enhancement has been a key element in driving our growth over the years. We meticulously plan and execute our asset enhancement projects, through which we reposition and revitalise our portfolio assets to unlock value. The enhanced properties create an attractive retail environment for our tenants and shoppers, address the changing needs of consumers, and deliver good financial returns to our Unitholders.

During the year, we completed nine asset enhancement projects, covering Tin Chak Shopping Centre, Lei Tung Commercial Centre, Butterfly Plaza, Sau Mau Ping Shopping Centre, TKO Gateway (previously known as Hau Tak Shopping Centre), Tai Hing Commercial Centre, Tin Yiu Plaza, Fu Tung Plaza and Wah Ming Shopping Centre. Different upgrades were made to these properties, ranging from simple refurbishment to major enhancement works. These nine asset enhancement projects exceeded our target of 15% return on investment.

The enhancement of Butterfly Plaza in Tuen Mun involved a major overhaul of the interior and façade of the fresh market. The revitalised fresh market has since become the new anchor for the shopping centre and has been driving footfall and car park tickets.

Return on investment of asset enhancement projects completed in the year ended 31 March 2017

	Total area as at 31 March 2017 *'000 sq ft*	Total Project Capex *HK$'M*	Estimated return on investment [1] *%*
Tin Chak Shopping Centre	124	20	23.1
Sau Mau Ping Shopping Centre	155	59	28.9
Lei Tung Commercial Centre	84	62	20.3
Butterfly Plaza [2]	175	286	15.1
TKO Gateway	169	127	15.4
Tai Hing Commercial Centre	102	58	15.3
Tin Yiu Plaza	88	129	15.2
Fu Tung Plaza	106	21	29.2
Wah Ming Shopping Centre	71	66	17.2
Total		**828**	

Notes:

(1) Estimated return on investment is calculated based on projected net property income post project minus net property income pre project divided by estimated project capital expenditures and loss of rental.

(2) Project included a fresh market upgrade.

Hau Tak Shopping Centre, upon completion of asset enhancement works, was rebranded as TKO Gateway and has become Link's Destination Shopping Centre in the Tseung Kwan O area. With a new shopping centre layout, new designs and upgraded retail offerings, the newly branded shopping centre has attracted shoppers from catchments beyond the Tseung Kwan O area. With the benefits of a convenient public transport network, the repositioned TKO Gateway has become the district's gateway and a popular shopping and dining hub.

The works at Tin Yiu Plaza involved the conversion of a traditional market into air-conditioned retail space with a vibrant shopping environment. The introduction of quality retail shops and food and beverage outlets to the outdoor bazaar provides a new gathering point for the local community. The enhancement improved synergies with the nearby Tin Shing Shopping Centre where the fresh market was expanded and fully refurbished through asset enhancement in 2016.

In parallel with demographic changes, housing developments and expansion of the transportation network linking various districts, we carried out and completed asset enhancement works at Lei Tung Commercial Centre, Sau Mau Ping Shopping Centre, Tai Hing Commercial Centre, Fu Tung Plaza and Wah Ming Shopping Centre. These enhanced shopping centres provide a better operating platform for our tenants and offer a wider range of retail offerings for our shoppers.

Continuing our proven asset enhancement strategy, we have 15 enhancement projects underway with another 6 projects to commence and over 18 other projects currently undergoing review, taking our asset enhancement pipeline well into 2023.

On top of the asset enhancement projects we have, seven of the 33 fresh markets (hitherto being operated by external market operators) had also been upgraded during the year. These innovatively upgraded fresh markets have created a pleasant shopping environment for our customers.

Asset enhancement pipeline

	Number of projects	**Estimated costs** ***HK$'M***
Underway	15	1,189
Pending statutory approval	6	654
Others under planning	>18	> 1,300
Total	**>39**	**>3,143**

Approved asset enhancement projects underway

	Estimated cost *HK$'M*	Target completion date
Lung Hang Commercial Centre	81	Mid 2017
T Town (North) (previously known as Chung Fu Plaza)	280	Mid 2017
Cheung Wah Shopping Centre	102	Mid 2017
Kwong Fuk Commercial Centre (1)	35	Mid 2017
Fu Tung Market (1)	27	Mid 2017
Tin Tsz Shopping Centre	42	Mid 2017
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	67	Late 2017
Tsui Ping North Shopping Circuit (1)	40	Late 2017
TKO Gateway Market (1)	91	Late 2017
Tin Chak Shopping Centre (1/F) (1)	44	Early 2018
Sam Shing Commercial Centre	40	Mid 2018
Fu Shin Shopping Centre (1)	93	Mid 2018
Total	**1,189**	

Note:

(1) Project includes a fresh market upgrade.

Acquisition

It is our strategy to improve our portfolio quality for sustainable DPU growth through adding assets with revenue growth potential.

During the year, we acquired 700 Nathan Road in Mong Kok, Hong Kong for HK$5,910 million. The acquisition was completed on 15 April 2016. The property is located at the heart of Mong Kok with direct MTR access. Renovation has been underway and is in good progress, targeting for operations to start around the end of 2017. Upon renovation, the newly-designed podium will provide 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. It is under active pre-leasing and will be branded as a Link Destination Shopping Centre.

Subsequent to our financial year end, in April 2017, we announced the acquisition of Metropolitan Plaza in Guangzhou for RMB4,065 million. The acquisition was completed on 11 May 2017. Metropolitan Plaza is one of the few recently-built, high-quality shopping centres in the Pearl River Delta area and is strategically located in Liwan, a densely-populated and high performing retail district in Guangzhou. Since completion of the transaction, the property has contributed immediately to our earnings. This acquisition has marked another significant strategic addition to our portfolio in Mainland China.

Going forward, we will continue with strict management discipline to review opportunities across different markets and focus our investment on mass market retail properties and premium grade-A offices located in core CBDs with long-term growth potential in Hong Kong and tier-one cities in Mainland China.

Disposal

We continued to recycle our capital and enhance our portfolio quality through the disposal of non-core assets which lack synergy and have limited growth potential.

In May 2016, we completed the disposal of nine properties for a total consideration of HK$3,652 million, representing premium of 19% over the aggregate appraised value as at 31 March 2016. We disposed of another five properties in February 2017 for a total consideration of HK$3,636 million, representing a premium of 29% over the aggregate appraised value as at 30 September 2016.

We used proceeds from the disposals to repay debts, buy back units from the market to neutralise the loss in distribution, and fund new investments in quality assets as part of our capital recycling strategy for growth and good Unitholders' return.

Development

Construction works at The Quayside – our joint venture project with Nan Fung Development Limited at 77 Hoi Bun Road in Kowloon East – has been progressing well. We have successfully confirmed J.P. Morgan as an anchor tenant and J.P. Morgan has confirmed to pre-lease at least a quarter of the office space. This top of the class grade-A commercial development has received LEED platinum, BEAM Plus platinum and WELL gold pre-certifications. We target to complete the building works ahead of schedule, which will be in early 2019.

With stringent cost control, we also achieved savings in the construction costs. The project's estimated total development costs (including land premium) have so far decreased from HK$10.5 billion to HK$9.9 billion, which was a 5.7% saving as compared to the original budget. The cost savings will also bring a better investment return.

Environmental Excellence

We achieved a year-on-year reduction of 2.7% in annual energy consumption, corresponding to a 28.2% cumulative reduction since 2010. This moves us closer to our 2020 target of a 30% reduction against our 2010 baseline. Our carbon footprint, primarily comprising of electricity consumption, has been reduced by 34.3% since 2010. Despite increased use of air conditioning, we achieved the energy reduction primarily through installing energy efficient lighting and fine tuning of our building management system.

During the year, by partnering with non-governmental organisations and over 4,000 tenants, we collected 46.5 tonnes of surplus food which were redistributed or used to produce nearly 85,000 meals for elderly and low-income families.

Maintaining a Prudent and Flexible Capital Structure

Link continues to adopt a prudent capital management strategy that sustains long-term growth of our business. Over the years, we have developed a balanced capital structure that enables us to weather market fluctuations and be agile in capturing business growth opportunities.

Our capital management strategy is built on four pillars:

- Optimise our long-term capital structure

- Maintain strong credit ratings to secure low funding costs

- Extend our debt maturity profile to mitigate refinancing risks

- Manage exposure to interest rate and foreign exchange volatility

Performance

2016 was an eventful and volatile year for financial markets. Major events such as Britain's referendum to leave the European Union, the US presidential election and the US Federal Reserve rate hikes impacted the financial markets. Long-term interest rates and credit spreads were particularly sensitive to such market shocks which created both opportunities and challenges for the capital management of our business.

Subsequent to Britain's referendum to leave the European Union in June 2016, we capitalised on the opportunity to issue our first green bond in July 2016 while US treasury yields and credit spreads were compressed. The bond raised US$500 million at 2.875% for 10 years, one of the lowest rates ever achieved by a Hong Kong corporate. It was also the first green bond issued by a property company in Asia. The green bond was launched in compliance with the 2016 Green Bond Principles of the International Capital Market Association which included an independent second opinion of Link's green bond framework by Sustainalytics. Proceeds from the bond are specifically earmarked for green initiatives, enabling us to connect our globally recognised sustainability effort with capital market investors. As at 31 March 2017, we have fully utilised the net proceeds from the green bond on green projects.

Allocation of Green Bond Proceeds

	Site	Allocation of proceeds HK$ billion	Project update
Building development	The Quayside	3.6	Received LEED platinum, BEAM Plus platinum and WELL gold pre-certifications
Renovation to existing building	700 Nathan Road	0.1	Targeting BEAM Plus Interiors silver or above
Energy efficiency	Portfolio-wide	0.1	Energy management projects including chiller replacement and lighting improvement
Total		**3.8**	

In the Hong Kong banking market, the decline in domestic loan demand and ample market liquidity continued to suppress loan margins. In April 2016, we arranged a HK$600 million unsecured banking facility with a 7-year tenor at an all-in cost of 1.15% over HIBOR to lengthen our debt maturity profile.

As part of Link's capital recycling strategy, we used part of the proceeds from property disposals to buy back approximately 31.7 million units at an average price of HK$53.46 per unit, which is equivalent to a 14.4% discount to net asset value per unit as at 31 March 2017 of HK$62.47.

Link ended the financial year with not much change in total debt at HK$28.0 billion (31 March 2016: HK$27.1 billion). Our gearing ratio decreased to 15.6% (31 March 2016: 16.5%) due to a higher property valuation. The average life of our committed debt facilities remained long at 4.7 years (31 March 2016: 5.0 years) with only HK$0.3 billion debt maturing in the next 12 months. As at 31 March 2017, the available liquidity was HK$10.7 billion (31 March 2016: HK$8.1 billion), comprising HK$685 million cash and deposits (31 March 2016: HK$0.5 billion), and HK$10.1 billion committed but undrawn facilities (31 March 2016: HK$7.6 billion).

On interest rate management, we maintained the percentage of fixed rate debt to gross debt steady at 61.4% (31 March 2016: 63.4%) and the average life of fixed rate debt, representing the average period of interest rate protection provided by fixed rate debt, steady at 6.3 years (31 March 2016: 6.9 years). Despite two 0.25% interest rate hikes by the US Federal Reserve during the year, the effective interest cost of our debt portfolio remained low at 2.65% as at 31 March 2017 (31 March 2016: 2.57%).

On foreign exchange management, we focused on managing the currency exposure of our RMB denominated income. Where appropriate, we converted RMB income to Hong Kong Dollars to minimise currency exposure. As at 31 March 2017, our cash holding in RMB was minimal and the RMB asset exposure was limited at around 6% of total assets.

Our corporate credit ratings were affirmed by Standard & Poor's and Moody's at "A/Stable" and "A2/Stable" respectively on 25 July 2016 and 25 January 2017 respectively.

Committed debt facilities [(1)]
(As at 31 March 2017)

(HK$ billion)	Fixed rate debt [(2)]	Floating rate debt [(2)]	Utilised facilities	Undrawn facilities	Total committed facilities
Unsecured loan	7.0	4.4	11.4	10.1	21.5
MTN	10.2	6.4	16.6	–	16.6
Total	**17.2**	**10.8**	**28.0**	**10.1**	**38.1**
Percentage	61%	39%	74%	26%	100%

Notes:

(1) All amounts are at face value.

(2) After interest rate swaps.

Facility maturity profile [1]
(As at 31 March 2017)

(HK$ billion)	Unsecured bank loans	MTN	Undrawn facilities	Total
Due in 2017/2018	–	0.3	1.5	1.8
Due in 2018/2019	1.5	1.1	1.9	4.5
Due in 2019/2020	3.5	1.3	2.0	6.8
Due in 2020/2021	2.5	0.4	2.5	5.4
Due in 2021/2022 and Beyond	3.9	13.5	2.2	19.6
Total	**11.4**	**16.6**	**10.1**	**38.1**

Note:
(1) All amounts are at face value.

Developing a Strong Management Team

Building an agile and innovative team who subscribes to our corporate culture – respect, excellence, integrity and teamwork – strengthens our business competence and enables us to manage risks with foresight and professionalism.

To maintain our productivity and ensure that our overall salary, bonus and other benefits remain competitive, we regularly review our workforce composition, compensation package and the learning and development programmes for staff.

Competency Framework

In 2016/2017, we established the Link Competency Framework which is the foundation of our talent management strategy. Using our Vision, Mission and Values, we have identified the key elements necessary to sustain our growth and success, resulting in a competency framework we expect from our staff, including:

- Analysis and execution
- Alignment with stakeholder interest
- Business orientation
- Building team and collaboration
- Communication and impact
- Change management
- Drive and commitment
- Developing and managing self and talent

These competencies are Link's embedded culture and permeate through our entire talent management strategy from talent sourcing to staff continuous learning and development, performance management and senior management succession planning.

Development and Learning

Talent management is important for capacity building, and Link has provided various trainings to upgrade our workforce and ensure that our staff are well-equipped for new business challenges. In 2016/2017, we organised a total of 280 training and development sessions for our staff, as well as 7,249 hours of training to our contractors and service providers.

Link believes in providing career paths for promising candidates. We promote from within as much as possible to enhance career development opportunities and retain our top performers. With our expanded growth drivers and asset management model, we offer diverse opportunities that better align with personal career aspirations. Link provides a wide variety of training and personal development programmes on management, technical and personal skills to prepare our managers to undertake the role and responsibilities for a chosen job.

To groom our future leaders, we stepped up training efforts to emphasise on change management, team leadership and communication. We provide leadership training and strategy-oriented programmes to build a high performance culture across our entire organisation.

Staff Engagement

As we expand our business in and beyond Hong Kong, it is important to achieve consistency in management across the organisation and that our teams remain connected, aligned and focused on providing quality service and excellent performance to our stakeholders. To enhance staff engagement, we conduct focus group meetings to gather views from staff on company initiatives as part of an on-going process to refine our talent management strategy. Such efforts ensure that we build and retain an agile working team that will share knowledge and expertise in managing our portfolio in different markets, explore new opportunities, and work efficiently in an interactive eco-system.

We encourage better work-life balance and have set up a staff volunteer committee with guidelines and encouragement for staff to volunteer at community events and activities under the Link Together Initiatives. During the year, our staff volunteered in events such as elderly home visits, set up mobile playgrounds, and sharing of musical instruments for children.

Health, Well-Being and Safety

We are committed to maintaining high standards of health and safety for our staff. We target zero lost work days across all our business operations. We ensure our operations comply with not only health and safety regulations but also industry best practices. Routine training on health and work safety management is provided to our staff and contractors. We are cognizant of the large number of visitors and shoppers coming to our shopping centres and car parks and the need to ensure their safety and well-being while they visit our premises. We have developed emergency response operations and contingency planning, which are tested regularly at our shopping centres to ensure incidents are responded to in a timely and effective manner. During the year, we conducted emergency drills at Link properties involving not only tenants and our staff but also personnel from relevant government departments.

Diversity and Inclusion

We believe diversity brings new viewpoints into how we run our business. We are the first REIT in Asia to endorse the Women's Empowerment Principles, which is a collaboration between UN Women and the UN Global Compact, and we are committed to implementing the principles at all levels of our business. Currently, half of our workforce is female. Four of our 13-member senior management team and four of our 13 Board members are female. Our employees are spread relatively evenly across age groups.

Our staff attrition rate for the year was approximately 19.4% which was in line with the previous year. We had near-zero attrition rate for those staff with a high performance rating, reflecting the success of our talent management strategy. As at 31 March 2017, we had 902 employees.

Helping Our Tenants and Communities Grow while Delighting Shoppers

We support the development of our tenants and create lifestyle experiences for our shoppers, thereby benefiting the communities. When communities do well, we do well. This is our approach to sustainable growth.

Tenant Mix

We have over 11,000 carefully selected tenancies that offer a vibrant retail mix to meet the needs of surrounding communities and attract shoppers from nearby districts. Our approach is to develop strong relationships with existing and new tenants. We conduct district-level analyses and tenant surveys to identify opportunities for improvement.

During the year under review, we continued to refine trade mix and improve the business environment for our tenants to operate. The average monthly retail sales per square foot of our Hong Kong portfolio grew steadily at 4.0% as compared to the last financial year, outperforming the general Hong Kong retail market. The dominant daily necessity trades such as "Food and Beverage" and "Supermarket and Foodstuff" remained strong and posted a year-on-year growth in retail sales per square foot of 6.9% and 3.4% respectively, while "General Retail" recorded a 3.3% increase.

Hong Kong portfolio retail trade mix
(As at 31 March 2017)

Trade	By monthly rent %	By leased area %
Food and Beverage	27.7	30.3
Supermarket and Foodstuff	20.8	17.9
Markets/Cooked Food Stalls	14.9	8.8
Services	10.5	9.3
Personal Care/Medicine	6.0	3.9
Education/Welfare and Ancillary	1.1	7.2
Valuable goods (Jewellery, watches and clocks)	0.8	0.4
Others [1]	18.2	22.2
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 order to plan and manage our business more effectively, we keep track of our tenants' rent-to-sales ratio to gauge their affordability of rents. Rent-to-sales ratio of the overall Hong Kong portfolio was 12.1% for the year. On specific trade categories, our tenants' rent-to-sales ratio for "Food and Beverage", "Supermarket and Foodstuff" and "General Retail" were 12.2%, 10.2% and 14.4%, respectively for the year under review.

Tenant Academy

To further support and enhance the growth of our tenants' businesses, we continued with the Link Tenant Academy as a platform for:

- Two-way engagement with tenants to voice their opinions;
- Sharing retail industry best practices to improve tenants' operational efficiency; and
- Raising awareness of the latest local retail trends.

During the financial year, we offered quarterly sessions to approximately 830 participants in aggregate. We introduced the Tenant Excellence Award, which used a "mystery shopper" approach to encourage our tenants to continually improve their services and offerings.

Link understands that working closely with tenants drives footfall to our properties. This strategy offers customers the brands and products they seek, benefits our smaller, independent tenants, and attracts new retailers to our shopping centres. New tenants enrich our trade varieties and increase brand offerings, which strengthens the attractiveness of our shopping centres. We regularly engage prospective tenants to understand their businesses and exchange ideas with them on how their operations add value to our existing trade mix.

Link Together Initiatives Updates

Link Together Initiatives is our flagship charity and community engagement programme through which we support selected non-profit projects that improve livelihoods of local communities. Every year, Link earmarks up to 0.25% of net property income of the previous financial year to fund the projects. Since 2013/2014, we have donated a total of HK$38.1 million through the Link Together Initiatives to promote the well-being of the youth, elderly and people in need.

During the financial year, HK$10.2 million was allocated to various projects under the established Major Project Fund, District Project Fund, Link First Generation University Student Scholarship and Link Barrier-Free Adventure Day and Public Education.

The Major Project Fund, in its fourth year of operation, contributed HK$4.4 million to five community projects which were selected from a pool of applicants. The District Project Fund (totalling HK$2.4 million during the year) reached out to a wider spectrum of small projects (49 in total) that catered to specific area needs and enabled Link to foster closer connections with local neighbourhoods. These 49 District Project Fund projects were selected by a panel of 22 community leaders including District Council Chairpersons and Vice-chairpersons, District Council members, representatives from The Hong Kong Council of Social Service and Link in a transparent process.

Link also donated HK$2.6 million to Link First Generation University Student Scholarship, benefiting a total of 130 students with scholarship grants. Link First Generation University Student Scholarship is a unique concept that supports first-year undergraduates who are the first from among three generations of their families to study at one of Hong Kong's universities. Nomination comes directly from secondary schools and the programme is independently supervised by HKCSS WiseGiving Limited of The Hong Kong Council of Social Service. Awardees are selected on a non-means-tested basis. Each awardee received a HK$20,000 grant and would also be admitted as a Link Scholarship Alumni and received priority consideration for Link's internship programme.

In March 2017, Link completed its Barrier Free Accessibility programme, having invested a total of HK$211 million since 2012 to ensure our properties are barrier-free accessible with the necessary physical enhancements. For further details of our extensive community engagement, please visit our corporate website.

Marketing Events

As an extension of the living space of local residents, our properties are an integral part of community life. Link collaborates with welfare organisations, trade associations and social groups to stage fun events and lively performances at our shopping centres. Events cover issues regarding health, nutrition, family harmony and bring awareness to green living. During the year, 61 such events were held across our network of malls in Hong Kong. The popularity of our marketing events has created a platform that goes beyond simply drawing footfall to our properties, but brings wider attention to the communities around us.

Link held a year-long programme to promote healthy dining habits by organising "Eat and Play Pairing" workshops across our fresh markets. Local chefs from the Chinese Culinary Institute were invited to design seasonal dishes using ingredients sourced entirely from our fresh markets. Link's fresh market ambassadors gave live cooking demonstrations and recipes were distributed free of charge to our shoppers. Complementing the "Eat" aspect, a series of interactive "Play" workshops were held simultaneously which included beauty and fitness exercise workshops designed by Chinese medicine practitioners, cartoon lunch box-making workshops for kids and design workshops that enabled participants to make handicrafts using surplus food.

"#Linkemoji Share Love, Share Fun" was the first campaign in Hong Kong to build on the global phenomenon of communicating using icons or emojis to support a charitable cause. The campaign encouraged the public to design their own personalised emojis through our Park & Dine mobile app and share these with the community. For every message shared Link contributed HK$1 to the Hong Kong Guide Dog Association, an organisation that promotes barrier-free access for the visually impaired. In just over a month, over 331,000 emojis were shared.

Innovation

We recognise Link is a strong platform that can be used to pilot, support and scale initiatives that help those around us flourish. As such we have explored how to utilise our network to connect people and amplify efforts.

In 2016/2017 we worked with local Hong Kong startup – Blue Sky Energy Technology – to pilot a real-time energy management system that provides tenants with operational insights to better manage their business operations. By connecting the startup with tenants in our portfolio, we could pilot a solution that generated up to 6% savings in energy consumption for participating tenants. This gave the startup an opportunity to test its product and helped our tenants improve their operations.

FINANCIAL REVIEW

In 2016/2017, Link continued to execute a balanced growth strategy and delivered another year of robust financial results despite a challenging economic environment and weaker consumer sentiment.

Hong Kong Portfolio

Revenue Analysis

Link sustained its solid pace of growth in retail and car park rentals during the year. Total revenue rose 4.4% to HK$8,681 million (2016: HK$8,319 million), comprising rental income from retail properties of HK$6,352 million (2016: HK$6,095 million), car parks of HK$1,940 million (2016: HK$1,846 million) and other property related revenue of HK$389 million (2016: HK$378 million).

The continuous growth in retail rentals reflected the resilience of our portfolio which focused on non-discretionary trades. To meet the evolving customer demand, we made solid progress in enhancing the tenant mix across the portfolio, thereby resulting in satisfactory reversion and high occupancy. Car park rentals have also improved in view of the insufficient supply of car parks amid increased demand as well as visitations to our shopping centres.

Revenue breakdown

	Year ended 31 March 2017 *HK$'M*	Year ended 31 March 2016 *HK$'M*	Year-on-year change %
Retail rentals:			
Shops [1]	**5,140**	4,974	3.3
Markets/Cooked Food Stalls	**893**	805	10.9
Education/Welfare and Ancillary	**147**	147	–
Mall Merchandising	**172**	169	1.8
Car parks rentals:			
Monthly	**1,456**	1,381	5.4
Hourly	**484**	465	4.1
Expenses recovery and other miscellaneous revenue:			
Property related revenue [2]	**389**	378	2.9
Total revenue	**8,681**	8,319	4.4

Notes:

(1) Rental from shops included base rent of HK$5,015 million (2016: HK$4,840 million) and turnover rent of HK$125 million (2016: HK$134 million), respectively.

(2) Property related revenue included other revenue from retail properties of HK$385 million (2016: HK$374 million) and car parks of HK$4 million (2016: HK$4 million).

Expense Analysis

We managed our portfolio with disciplined cost control to ensure operational efficiency. During the year, total property operating expenses increased moderately by 1.4% and net property income margin remained largely steady at 75.3% (2016: 74.6%).

Property managers' fees and security and cleaning expenses slightly decreased by 4.0% year-on-year. Increase in staff costs was mainly due to a higher accrual for awards granted under our long-term incentive plan adopted on 23 July 2007 as a result of a higher closing unit price as at 31 March 2017 against that as of 31 March 2016. Utility expenses decreased by 2.3% due to a reduction in energy tariffs and the efficiency of our building management system. Government rent and rates increased generally in line with revenue growth.

Property operating expenses breakdown

	Year ended 31 March 2017 *HK$'M*	Year ended 31 March 2016 *HK$'M*	Year-on-year change %
Property managers' fees, security and cleaning	**557**	580	(4.0)
Staff costs	**417**	365	14.2
Repair and maintenance	**219**	213	2.8
Utilities	**291**	298	(2.3)
Government rent and rates	**282**	271	4.1
Promotion and marketing expenses	**121**	117	3.4
Estate common area costs	**106**	118	(10.2)
Other property operating expenses	**153**	155	(1.3)
Total property operating expenses	**2,146**	2,117	1.4

Mainland China Portfolio

The financial performance of EC Mall in Beijing and Link Square 1 & 2 in Shanghai reflected our dynamic but prudent Mainland China acquisition strategy. Full-year contributions from both properties were included this year, resulting in a 36.3% year-on-year increase in total revenue from Mainland China to HK$574 million (2016: HK$421 million), and a 47.6% year-on-year increase in net property income to HK$459 million (2016: HK$311 million). In particular, EC Mall achieved strong occupancy and reversion and Link Square 1 & 2 maintained high occupancy and stable reversion during the year, with both properties generating value for Unitholders.

We continued our highly-disciplined investment strategy and subsequent to the end of the financial year in April 2017, we announced the acquisition of Metropolitan Plaza in Guangzhou. The acquisition was completed on 11 May 2017. Metropolitan Plaza is expected to contribute profit immediately and will become an important source of inorganic growth in the coming years.

Valuation Review

Our portfolio valuation increased notwithstanding that we disposed of 14 assets during the year. Total value of investment properties (including property under development and renovation and properties in Mainland China) grew 8.3% from HK$160,672 million as at 31 March 2016 to HK$174,006 million as at 31 March 2017. After the completion of the acquisition of 700 Nathan Road, the value of the Hong Kong retail properties increased 8.9% to HK$124,739 million (31 March 2016: HK$114,492 million) while the value of car parks increased 6.7% to HK$30,813 million (31 March 2016: HK$28,888 million). The increase in value of the retail properties and car parks in Hong Kong 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 – The Quayside – also increased to HK$7,349 million (31 March 2016: HK$6,300 million). Properties in Mainland China were valued at HK$11,105 million (31 March 2016: HK$10,992 million).

Pursuant to the requirements of the Code on Real Estate Investment Trusts (***REIT Code***), CBRE Limited retired after serving a consecutive term of three years and Jones Lang LaSalle Limited (***JLL***) was appointed as the principal valuer of Link and valued Link's property portfolio as at 31 March 2017. JLL valued our completed properties in Hong Kong and Mainland China as at 31 March 2017 using income capitalisation and discounted cash flow (***DCF***) as the primary 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 31 March 2017	As at 31 March 2016
Income capitalisation approach – capitalisation rate		
Hong Kong		
Retail properties: weighted average	**4.53%**	4.54%
Car parks: weighted average	**4.74%**	4.78%
Overall weighted average	**4.57%**	4.59%
Mainland China		
Retail properties	**4.50%**	4.50% – 5.00%
Office properties	**4.25%**	4.00%
DCF approach – discount rate		
Hong Kong	**7.50%**	7.50%
Mainland China		
Retail properties	**7.25% – 7.50%**	8.00% – 9.00%
Office properties	**7.25%**	7.50%

OUTLOOK AND STRATEGY

We believe the retail market in Asia will improve over the next year, and we are well positioned to capitalise on the right opportunities that may emerge to strengthen our portfolio. While we anticipate that interest rates are likely to rise steadily, our prudent capital management approach minimises the potential impact.

In 2017/2018 we will continue to use our growth drivers to capture value from our existing portfolio while exploring opportunities to streamline our portfolio further and secure long term growth. Our business remains committed to cultivating and fostering strong community relationships – an approach that will help both the communities around us and our business to flourish.

We head into 2017/2018 with our business in excellent shape both financially and non-financially. Our consistent performance underlines the success of our decision making and positions us well to deliver on our brand promise to Link People to a Brighter Future.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Note	**2017** **HK$'M**	2016 HK$'M
Revenue	2	**9,255**	8,740
Property operating expenses		**(2,261)**	(2,227)
Net property income		**6,994**	6,513
General and administrative expenses		**(342)**	(368)
Change in fair values of investment properties		**11,494**	11,263
Operating profit	4	**18,146**	17,408
Interest income		**4**	6
Finance costs		**(567)**	(508)
Gains on disposals of investment properties		**1,387**	396
Profit before taxation and transactions with Unitholders		**18,970**	17,302
Taxation	5	**(1,057)**	(953)
Profit for the year, before transactions with Unitholders		**17,913**	16,349
Distributions paid to Unitholders:			
– 2016 final distribution		**(2,404)**	–
– 2017 interim distribution		**(2,494)**	–
– 2015 final distribution		**–**	(2,138)
– 2016 interim distribution		**–**	(2,230)
		13,015	11,981
Represented by:			
Change in net assets attributable to Unitholders, excluding issues of new units and units bought back		**12,461**	11,404
Amount arising from cash flow hedging reserve and exchange reserve movements		**352**	523
Non-controlling interest		**202**	54
		13,015	11,981
Profit for the year, before transactions with Unitholders attributable to			
– Unitholders *(Note)*	6	**17,711**	16,295
– Non-controlling interest		**202**	54
		17,913	16,349

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 6 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Before transactions with Unitholders HK$'M	Transactions with Unitholders (Note (i)) HK$'M	After transactions with Unitholders (Note (ii)) HK$'M	Non-controlling interest HK$'M	Total HK$'M
For the year ended 31 March 2017					
Profit for the year	**17,711**	**(17,359)**	**352**	**202**	**554**
Other comprehensive income					
Items that may be reclassified subsequently to the consolidated income statement					
– Cash flow hedging reserve	**310**	**–**	**310**	**–**	**310**
– Exchange reserve	**(662)**	**–**	**(662)**	**–**	**(662)**
Total comprehensive income for the year	**17,359**	**(17,359)**	**–**	**202**	**202**
For the year ended 31 March 2016					
Profit for the year	16,295	(15,772)	523	54	577
Other comprehensive income					
Items that may be reclassified subsequently to the consolidated income statement					
– Cash flow hedging reserve	(299)	–	(299)	–	(299)
– Exchange reserve	(224)	–	(224)	–	(224)
Total comprehensive income for the year	15,772	(15,772)	–	54	54

Notes:

(i) Transactions with Unitholders comprise the distributions to Unitholders of HK$4,898 million (2016: HK$4,368 million) and change in net assets attributable to Unitholders, excluding issues of new units and units bought back, of HK$12,461 million (2016: HK$11,404 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 YEAR ENDED 31 MARCH 2017

	2017	2016
	HK$'M	*HK$'M*
Profit for the year, before transactions with Unitholders attributable to Unitholders	**17,711**	16,295
Adjustments:		
– Change in fair values of investment properties attributable to Unitholders	**(11,290)**	(11,209)
– Deferred taxation on change in fair values of investment properties attributable to Unitholders	**73**	24
– Other non-cash income	**(107)**	(101)
– Depreciation charge on investment properties under China Accounting Standards	**(83)**	(67)
– Gains on disposals of investment properties, net of transaction costs	**(1,312)**	(375)
Total Distributable Income *(Note (i))*	**4,992**	4,567
Discretionary distribution *(Note (ii))*	**83**	67
Total Distributable Amount	**5,075**	4,634
Interim distribution, paid	**2,494**	2,230
Final distribution, to be paid to the Unitholders	**2,581**	2,404
Total distributions for the year	**5,075**	4,634
Total Distributable Amount as a percentage of Total Distributable Income	**102%**	101%
Units in issue at 31 March	**2,213,002,276**	2,243,148,136
Distributions per unit to Unitholders:		
– Interim distribution per unit, paid *(Note (iii))*	**HK111.75 cents**	HK98.99 cents
– Final distribution per unit, to be paid to the Unitholders *(Note (iv))*	**HK116.66 cents**	HK107.19 cents
Distribution per unit for the year	**HK228.41 cents**	HK206.18 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 consolidated income statement for the relevant year. Link is required to ensure that the total amount distributed to Unitholders as distributions for each financial year shall be no less than 90% of Total Distributable Income. The Manager has decided to distribute 100% (2016: 100%) of Total Distributable Income as the distribution for the year ended 31 March 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 year.

(iii) The interim distribution per unit of HK111.75 cents (2016: HK98.99 cents) for the six months ended 30 September 2016 is calculated based on the interim distribution of HK$2,494 million (2016: HK$2,230 million) for the period and 2,231,341,276 units (2016: 2,252,468,136 units) in issue as at 30 September 2016. The interim distribution was paid to Unitholders on 2 December 2016.

(iv) The final distribution per unit of HK116.66 cents (2016: HK107.19 cents) for the year ended 31 March 2017 is calculated based on the final distribution to be paid to the Unitholders of HK$2,581 million (2016: HK$2,404 million) for the second half of the financial year and 2,213,002,276 units (2016: 2,243,148,136 units) in issue as at 31 March 2017, without taking into account any change in the number of units in issue subsequent to the approval of the consolidated financial statements. The final distribution will be paid to Unitholders on 5 July 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	**2017** **HK$'M**	2016 HK$'M
Non-current assets			
Goodwill		**466**	487
Investment properties		**174,006**	157,612
Property, plant and equipment		**87**	76
Derivative financial instruments		**116**	158
Other non-current asset		**–**	1,095
		174,675	159,428
Current assets			
Investment properties held for sale		**–**	3,060
Trade and other receivables	*7*	**503**	435
Deposits and prepayments		**77**	74
Derivative financial instruments		**–**	1
Short-term bank deposits		**150**	118
Cash and cash equivalents		**535**	336
		1,265	4,024
Total assets		**175,940**	163,452
Current liabilities			
Trade payables, receipts in advance and accruals	*8*	**1,870**	1,643
Security deposits		**1,494**	1,410
Provision for taxation		**305**	252
Current portion of long-term incentive plan provision		**76**	63
Interest bearing liabilities	*9*	**300**	959
Derivative financial instruments		**1**	60
		4,046	4,387
Net current liabilities		**2,781**	363
Total assets less current liabilities		**171,894**	159,065
Non-current liabilities, excluding net assets attributable to Unitholders			
Long-term incentive plan provision		**37**	36
Interest bearing liabilities	*9*	**27,197**	25,965
Derivative financial instruments		**498**	402
Deferred tax liabilities		**2,417**	2,202
Other non-current liabilities		**3,248**	3,019
		33,397	31,624
Total liabilities, excluding net assets attributable to Unitholders		**37,443**	36,011
Non-controlling interest		**256**	54
Net assets attributable to Unitholders		**138,241**	127,387
Units in issue		**2,213,002,276**	2,243,148,136
Net assets per unit attributable to Unitholders		**HK$62.47**	HK$56.79

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

FOR THE YEAR ENDED 31 MARCH 2017

	Net assets attributable to Unitholders *HK$'M*	Total reserves *HK$'M*	Non-controlling interest *HK$'M*
At 1 April 2016	**127,387**	**580**	**54**
Issuance of units under long-term incentive plan	**90**	**–**	**–**
Units bought back for cancellation	**(1,697)**	**–**	**–**
Profit for the year ended 31 March 2017, before transactions with Unitholders	**17,711**	**–**	**202**
Distributions paid to Unitholders			
– 2016 final distribution	**(2,404)**	**–**	**–**
– 2017 interim distribution	**(2,494)**	**–**	**–**
Change in fair values of cash flow hedges	**–**	**195**	**–**
Amount transferred to the consolidated income statement	**–**	**115**	**–**
Exchange loss on translation of financial statements	**–**	**(662)**	**–**
Amount arising from cash flow hedging reserve and exchange reserve movements	**(352)**	**352**	**–**
Change in net assets attributable to Unitholders and non-controlling interest for the year ended 31 March 2017, excluding issues of new units and units bought back	**12,461**	**–**	**202**
At 31 March 2017	**138,241**	**580**	**256**
At 1 April 2015	118,106	580	–
Issuance of units under long-term incentive plan	74	–	–
Units bought back for cancellation	(2,197)	–	–
Profit for the year ended 31 March 2016, before transactions with Unitholders	16,295	–	54
Distributions paid to Unitholders			
– 2015 final distribution	(2,138)	–	–
– 2016 interim distribution	(2,230)	–	–
Change in fair values of cash flow hedges	–	(386)	–
Amount transferred to the consolidated income statement	–	87	–
Exchange loss on translation of financial statements	–	(224)	–
Amount arising from cash flow hedging reserve and exchange reserve movements	(523)	523	–
Change in net assets attributable to Unitholders and non-controlling interest for the year ended 31 March 2016, excluding issues of new units and units bought back	11,404	–	54
At 31 March 2016	127,387	580	54

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	HK$'M	*HK$'M*
Operating activities		
Net cash generated from operating activities	**6,077**	5,682
Investing activities		
Acquisition of businesses	**–**	(9,819)
Acquisition of an investment property	**(5,319)**	–
Deposits for acquisition	**–**	(1,095)
Proceeds from disposal of investment properties	**7,288**	1,716
Additions to investment properties	**(1,480)**	(1,457)
Additions to property, plant and equipment	**(39)**	(18)
Interest income received	**4**	14
(Increase)/decrease in short-term bank deposits with original maturity of more than three months	**(32)**	1,097
Net cash generated from/(used in) investing activities	**422**	(9,562)
Financing activities		
Proceeds from interest bearing liabilities, net of transaction costs	**24,400**	20,587
Repayment of interest bearing liabilities	**(23,472)**	(11,488)
Increase in amount due to non-controlling interest	**115**	26
Interest expenses paid on interest bearing liabilities	**(739)**	(573)
Distributions paid to Unitholders	**(4,898)**	(4,368)
Units bought back for cancellation	**(1,697)**	(2,197)
Net cash (used in)/generated from financing activities	**(6,291)**	1,987
Net increase/(decrease) in cash and cash equivalents	**208**	(1,893)
Cash and cash equivalents at 1 April	**336**	2,233
Effect on exchange rate changes on cash and cash equivalents	**(9)**	(4)
Cash and cash equivalents at 31 March	**535**	336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (***HKFRSs***), the requirements of the trust deed entered into on 6 September 2005 (as amended and supplemented by 11 Supplemental Deeds) (***Trust Deed***) and the relevant disclosure requirements as set out in Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong. HKFRSs is a collective term which includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (***HKASs***) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants.

As at 31 March 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 consolidated financial statements.

(b) Accounting convention and functional currency

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

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

1 Basis of preparation (Continued)

(c) Adoption of new and revised HKFRSs

For the year ended 31 March 2017, the Group has adopted all the new standard and amendments that are currently in issue and effective.

HKAS 1 Amendments	Disclosure Initiative
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants
HKAS 27 Amendments	Equity Method in Separate Financial Statements
HKAS 28 (2011), HKFRS 10 and HKFRS 12 Amendments	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements to HKFRSs 2012 – 2014 Cycle	

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

The following new standards and amendments, which have been published but are not yet effective, have not been early adopted in the consolidated financial statements. These are effective for the Group's accounting periods beginning on or after 1 April 2017.

1 Basis of preparation (Continued)

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

HKAS 7 Amendments	Disclosure Initiative (1)
HKAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses (1)
HKAS 28 (2011) and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (5)
HKAS 40 Amendments	Transfers of Investment Property (2)
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions (2)
HKFRS 4 Amendments	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (2)
HKFRS 9 (2014)	Financial Instruments (2)
HKFRS 15	Revenue from Contracts with Customers (2)
HKFRS 16	Leases (3)
Annual Improvements to HKFRSs 2014 – 2016 Cycle (4)	

(1) effective for accounting periods beginning on or after 1 January 2017

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

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

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

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. 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 statement.

2 Revenue

Revenue recognised during the year comprises:

	2017	2016
	HK$'M	*HK$'M*
Rentals		
– Retail and commercial properties	**6,914**	6,506
– Car parks	**1,940**	1,846
	8,854	8,352
Other revenue		
– Air conditioning service fees	**370**	356
– Other property related revenue	**31**	32
	401	388
Total revenue	**9,255**	8,740

Leases with tenants provide for monthly base rent and recovery of certain outgoings. Additional rents based on business turnover amounted to HK$136 million (2016: HK$149 million) and have been included in the rental income.

3 Segment information

	Retail properties HK$'M	Car parks HK$'M	Others HK$'M	Total HK$'M
For the year ended 31 March 2017				
Revenue	**6,989**	**1,944**	**322**	**9,255**
Segment results	**5,286**	**1,435**	**(69)**	**6,652**
Change in fair values of investment properties	**6,716**	**4,062**	**716**	**11,494**
Interest income				**4**
Finance costs				**(567)**
Gains on disposals of investment properties				**1,387**
Profit before taxation and transactions with Unitholders				**18,970**
Taxation				**(1,057)**
Profit for the year, before transactions with Unitholders				**17,913**
Capital expenditure	**7,749**	**64**	**589**	**8,402**
Depreciation	**–**	**–**	**(27)**	**(27)**

3 Segment information (Continued)

	Retail properties *HK$'M*	Car parks *HK$'M*	Others *HK$'M*	Total *HK$'M*
As at 31 March 2017				
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				**175,940**
Segment liabilities	**2,446**	**179**	**739**	**3,364**
Provision for taxation				**305**
Long-term incentive plan 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				**37,443**
Non-controlling interest				**256**
Net assets attributable to Unitholders				**138,241**

For the year ended 31 March 2017, revenue of HK$574 million (2016: HK$421 million) is attributable to external customers from Mainland China and HK$8,681 million (2016: HK$8,319 million) is attributable to external customers from Hong Kong.

As at 31 March 2017, non-current assets of HK$11,203 million (2016: HK$11,099 million) is located in Mainland China and HK$163,356 million (2016: HK$148,171 million) is located in Hong Kong.

3 Segment information (Continued)

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

3 Segment information (Continued)

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

4 Operating profit

Operating profit for the year is stated after charging:

	2017	2016
	HK$'M	*HK$'M*
Staff costs	**615**	544
Depreciation of property, plant and equipment	**27**	22
Trustee's fee	**15**	13
Valuation fee	**4**	4
Auditor's remuneration		
Audit fees	**5**	5
Audit-related assurance services	**2**	2
Total audit and audit-related assurance services	**7**	7
Acquisition related professional fees	**–**	1
Others	**2**	1
Total auditor's remuneration	**9**	9
Bank charges	**5**	5
Operating lease charges	**34**	30
Exchange gain	**(23)**	–
Other legal and professional fees	**16**	24
Commission to property agents	**71**	20
Donations	**10**	10

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

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

	2017	2016
	HK$'M	*HK$'M*
Current taxation		
– Hong Kong	**763**	681
– Mainland China	**76**	37
Deferred taxation	**218**	235
Taxation	**1,057**	953

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

	2017	2016
	HK$'M	*HK$'M*
Profit before taxation	**18,970**	17,302
Expected tax calculated at the Hong Kong profits tax rate of 16.5% (2016: 16.5%)	**3,130**	2,855
Tax effect of different taxation rates	**(11)**	4
Tax effect of non-deductible expenses	**12**	24
Tax effect of non-taxable income	**(2,009)**	(1,885)
Tax effect of other temporary differences	**(51)**	(36)
Utilisation of previously unrecognised tax loss	**(25)**	(19)
Withholding tax on unremitted earnings of subsidiaries	**11**	10
Taxation	**1,057**	953

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

	2017	2016
Profit after taxation and before transactions with Unitholders attributable to Unitholders	**HK$17,711 million**	HK$16,295 million
Weighted average number of units for the year for calculating basic earnings per unit	**2,232,374,190**	2,267,331,282
Adjustment for dilutive contingently issuable units under long-term incentive plan	**1,915,318**	2,102,718
Weighted average number of units for the year for calculating diluted earnings per unit	**2,234,289,508**	2,269,434,000
Basic earnings per unit based upon profit after taxation and before transactions with Unitholders attributable to Unitholders	**HK$7.93**	HK$7.19
Diluted earnings per unit based upon profit after taxation and before transactions with Unitholders attributable to Unitholders	**HK$7.93**	HK$7.18

7 Trade and other receivables

	2017 HK$'M	2016 HK$'M
Trade receivables	**82**	97
Less: provision for impairment of trade receivables	**(4)**	(5)
Trade receivables – net	**78**	92
Other receivables	**425**	343
	503	435

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:

	2017 HK$'M	2016 HK$'M
0 – 30 days	**73**	88
31 – 90 days	**5**	4
Over 90 days	**4**	5
	82	97

Monthly rentals in respect of retail and commercial properties are payable in advance by tenants in accordance with the leases while daily gross receipts from car parks are received from the car park operators in arrears. Included in the net trade receivables of HK$78 million (2016: HK$92 million) presented above were HK$40 million (2016: HK$41 million) of accrued car park income and HK$18 million (2016: HK$30 million) of accrued turnover rent, which were not yet due as at 31 March 2017. The remaining HK$20 million (2016: HK$21 million) were past due but not considered impaired.

7 Trade and other receivables (Continued)

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

	2017	2016
	HK$'M	*HK$'M*
0 – 30 days	**15**	17
31 – 90 days	**5**	4
	20	21

As at 31 March 2017, trade receivables of HK$4 million (2016: HK$5 million) were considered as impaired and had been provided for. The individually impaired receivables are those where collectibility is in doubt.

The ageing of the impaired trade receivables is as follows:

	2017	2016
	HK$'M	*HK$'M*
Over 90 days	**4**	5

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

	2017	2016
	HK$'M	*HK$'M*
At 1 April	**5**	3
Provision for impairment of trade receivables	**4**	6
Receivables written off during the year as uncollectible	**(5)**	(4)
At 31 March	**4**	5

7 Trade and other receivables (Continued)

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

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

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

8 Trade payables, receipts in advance and accruals

	2017	2016
	HK$'M	*HK$'M*
Trade payables	**175**	84
Receipts in advance	**243**	220
Accruals	**1,452**	1,339
	1,870	1,643

The carrying amounts of these payables approximate their fair values.

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

	2017	2016
	HK$'M	*HK$'M*
0 – 30 days	**170**	64
31 – 90 days	**5**	20
	175	84

9 Interest bearing liabilities

	2017	2016
	HK$'M	*HK$'M*
Bank borrowings	**11,361**	13,223
Medium term notes	**16,136**	13,701
	27,497	26,924
Less: current portion of interest bearing liabilities	**(300)**	(959)
Non-current portion of interest bearing liabilities	**27,197**	25,965

Interest bearing liabilities are repayable as follows:

	2017	2016
	HK$'M	*HK$'M*
Due in the first year		
Medium term notes	**300**	959
Due in the second year		
Bank borrowings	**1,492**	–
Medium term notes	**1,095**	300
	2,587	300
Due in the third year		
Bank borrowings	**3,481**	3,337
Medium term notes	**1,336**	1,101
	4,817	4,438

9 Interest bearing liabilities (Continued)

	2017 HK$'M	2016 HK$'M
Due in the fourth year		
Bank borrowings	**2,476**	3,830
Medium term notes	**349**	1,365
	2,825	5,195
Due in the fifth year		
Bank borrowings	**3,497**	4,869
Medium term notes	**1,434**	349
	4,931	5,218
Due beyond the fifth year		
Bank borrowings	**415**	1,187
Medium term notes	**11,622**	9,627
	12,037	10,814
	27,497	26,924

Notes:

(i) Except for medium term notes of HK$7,306 million (2016: HK$3,857 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 2.65% (2016: 2.57%). The carrying amounts of the interest bearing liabilities approximate their fair values.

10 Event after the reporting date

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 an initial consideration of RMB4,060 million (equivalent to approximately HK$4,575 million) and will be adjusted by the current assets and current liabilities of the target group as at the completion date pursuant to the relevant terms of the sale and purchase agreement. 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.

APPRECIATION

In the year under review and up to the date of this announcement, except for Professor Richard WONG Yue Chim's retirement as an Independent Non-Executive Director on 27 July 2016, there is no change in members of the Board.

The Board would like to thank all staff for their professionalism, commitment and dedicated services which enable Link to secure the support and loyalty of our tenants and communities we serve. The Board also wants to extend its appreciation to our customers, suppliers and Unitholders for their continuous support and confidence in Link.

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

The final results and the consolidated financial statements of the Group for the year ended 31 March 2017 had been reviewed by the Audit and Risk Management Committee in conjunction with Link's external auditor, PricewaterhouseCoopers.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in this final results announcement have been agreed by PricewaterhouseCoopers, the external auditor, to the amounts set out in the audited consolidated financial statements for the year ended 31 March 2017 of Link. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance has been expressed by PricewaterhouseCoopers on this final results announcement.

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2017, Link and the Manager complied with the REIT Code, 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***), Link's trust deed (as amended by supplemental deeds) (the ***Trust Deed***), 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 year. The corporate governance report for the year ended 31 March 2017 of Link is set out in the Annual Report 2016/2017.

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

During the year under review, the Manager (on behalf of Link) bought back a total of 31,746,000 units on The Stock Exchange of Hong Kong Limited at an aggregate consideration (excluding expenses) of approximately HK$1,697 million. Further details are set out as follows:

Month	Number of units bought back	Purchase price per unit Highest *HK$*	Purchase price per unit Lowest *HK$*	Aggregate consideration (excluding expenses) *HK$'M*
2016				
August	6,985,500	56.00	54.65	387
September	6,421,500	56.00	54.75	357
November	900,500	53.15	52.60	48
December	14,022,500	54.85	49.05	728
2017				
January	3,416,000	53.40	50.65	177

All the units bought back were cancelled prior to the financial year end. Save as disclosed above, neither the Manager nor any of Link's subsidiaries bought back, sold or redeemed any of Link's listed units during the year under review.

ISSUE OF NEW UNITS

During the year under review, 1,600,140 new units of Link were issued pursuant to the long-term incentive plan adopted by Link on 23 July 2007. Based on 2,213,002,276 units in issue as at 31 March 2017, the number of new units issued in the year represented approximately 0.07%.

PUBLIC FLOAT

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

FINAL DISTRIBUTION AND CLOSURE OF REGISTER OF UNITHOLDERS

For Final Distribution

The final distribution of HK116.66 cents per unit for the year ended 31 March 2017 will be paid in cash on Wednesday, 5 July 2017 to those Unitholders whose names appear on the register of Unitholders of Link on Monday, 26 June 2017. For the purpose of ascertaining Unitholders' entitlement to the final cash distribution, the register of Unitholders of Link will be closed from Thursday, 22 June 2017 to Monday, 26 June 2017, both days inclusive, during which period no transfer of units will be registered. In order to qualify for the final 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 (the ***Unit Registrar***), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 21 June 2017.

For Annual General Meeting of Unitholders

For the purpose of ascertaining Unitholders' right to attend the forthcoming annual general meeting of Unitholders of Link to be held on Wednesday, 26 July 2017, the register of Unitholders of Link will also be closed from Friday, 21 July 2017 to Wednesday, 26 July 2017, both days inclusive, during which period no transfer of units will be registered. In order for Unitholders to be eligible to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant unit certificates must be lodged with the Unit Registrar (at the address above) for registration not later than 4:30 p.m. on Thursday, 20 July 2017.

DESPATCH OF ANNUAL REPORT 2016/2017

The Annual Report 2016/2017 of Link will be despatched to Unitholders on Tuesday, 27 June 2017.

ANNUAL GENERAL MEETING OF UNITHOLDERS

The forthcoming annual general meeting of Unitholders of Link will be held on Wednesday, 26 July 2017. Notice convening the meeting will be issued to Unitholders in accordance with the REIT Code, the Listing Rules, the Trust Deed and other applicable requirements.

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

Hong Kong, 7 June 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