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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 2018**

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 2018.

The interim results and the condensed consolidated interim financial information of the Group for the six months ended 30 September 2018, after review by the audit and risk management committee of the Manager (the **Audit and Risk Management Committee**), were approved by the Board on 14 November 2018.

#### **OVERALL FINANCIAL RESULTS**

During the six months under review, revenue and net property income increased by 7.4% and 6.9% year-on-year on a like-for-like basis<sup>(1)</sup>. Interim distribution per unit for the period increased by 7.5% to HK130.62 cents (six months ended 30 September 2017: HK121.50 cents).

Valuation of the investment properties portfolio reached HK\$209,790 million, representing an increase of 3.3% compared to 31 March 2018. Net asset value per unit grew by 2.8% to HK\$85.41 (31 March 2018: HK\$83.06).

**Note:**

<sup>(1)</sup> As reported, revenue and net property income decreased by 0.4% and 0.2% year-on-year to HK\$4,930 million (six months ended 30 September 2017: HK\$4,949 million) and HK\$3,759 million (six months ended 30 September 2017: HK\$3,767 million), respectively. Like-for-like basis is calculated by excluding any properties acquired, divested and/or newly operational (as applicable) during the periods under analysis.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Build a Productive Portfolio

#### Management

We have been utilising our strong pool of talent and developing our own asset management model to set ourselves for further growth and development. Our asset management team adopts a holistic approach in managing our upgraded portfolio and is responsible for capitalising growth potential through leasing, marketing, property management and operations.

#### Hong Kong Portfolio

##### Revenue Analysis

At a time of geopolitical and economic uncertainties, our portfolio continued to demonstrate its resilience and provide a productive platform for our tenants to thrive. On a like-for-like basis, total revenue increased by 7.0%, retail rentals increased by 6.6% and car parks rentals increased by 10.0%.

##### Revenue Breakdown

	Six months ended 30 September 2018 HK\$'M	Six months ended 30 September 2017 HK\$'M	Year-on-year change %	Like-for-like basis year-on-year change %
<b>Retail rentals:</b>				
Shops <sup>(1)</sup>	2,659	2,704	(1.7)	6.5
Markets/Cooked Food Stalls	452	451	0.2	9.3
Education/Welfare and Ancillary	67	73	(8.2)	2.0
Mall Merchandising	90	96	(6.3)	0.7
<b>Car parks rentals:</b>				
Monthly	745	769	(3.1)	10.8
Hourly	243	253	(4.0)	7.5
<b>Expenses recovery and other miscellaneous revenue:</b>				
Property related revenue <sup>(2)</sup>	184	204	(9.8)	(2.1)
<b>Total revenue</b>	<b>4,440</b>	<b>4,550</b>	<b>(2.4)</b>	<b>7.0</b>

#### Notes:

<sup>(1)</sup> Rental from shops included base rent of HK\$2,615 million (six months ended 30 September 2017: HK\$2,647 million) and turnover rent of HK\$44 million (six months ended 30 September 2017: HK\$57 million).

<sup>(2)</sup> Property related revenue included other revenue from retail properties of HK\$182 million (six months ended 30 September 2017: HK\$201 million) and car parks of HK\$2 million (six months ended 30 September 2017: HK\$3 million).

## Expense Analysis

Total property operating expenses increased by 9.3% on a like-for-like basis. The increase was largely due to the overall enhancement of service level to upgrade the portfolio.

### Property Operating Expenses Breakdown

	Six months ended 30 September 2018 HK\$'M	Six months ended 30 September 2017 HK\$'M	Year-on-year change %	Like-for-like basis year-on-year change %
Property managers' fees, security and cleaning	269	280	(3.9)	8.5
Staff costs <sup>(1)</sup>	235	224	4.9	16.9
Repair and maintenance	99	101	(2.0)	8.3
Utilities	156	172	(9.3)	(0.8)
Government rent and rates	143	144	(0.7)	10.7
Promotion and marketing expenses	53	50	6.0	14.3
Estate common area costs	44	51	(13.7)	4.0
Other property operating expenses	72	71	1.4	11.3
<b>Total property operating expenses</b>	<b>1,071</b>	<b>1,093</b>	<b>(2.0)</b>	<b>9.3</b>

*Note:*

<sup>(1)</sup> The increase in staff cost was mainly due to the expanded management team to broaden management bandwidth.

### Retail

Our efforts invested in asset management have yielded positive results for our retail portfolio. As at 30 September 2018, occupancy rate for the portfolio remained stable at 95.5% and the overall portfolio reversion rate stood at 22.5%. Average monthly unit rent improved to HK\$65.7 per square foot (*psf*) as at 30 September 2018 from HK\$62.4 *psf* as at 31 March 2018.

## Operational Statistics of the Retail Portfolio

	Occupancy rate		Reversion rate		% of total area <sup>(1)</sup>
	As at 30 September 2018 %	As at 31 March 2018 %	Six months ended 30 September 2018 %	Six months ended 30 September 2017 %	As at 30 September 2018 %
Shops	95.7	97.4	20.4	28.5	84.0
Markets/Cooked Food Stalls	92.3	92.9	26.7	12.8	8.8
Education/Welfare and Ancillary	97.1	97.1	12.9	14.4	7.2
<b>Total</b>	<b>95.5</b>	<b>97.0</b>	<b>22.5</b>	<b>26.8</b>	<b>100.0</b>

Note:

<sup>(1)</sup> Total excluding self-use office.

## Retail Portfolio Breakdown

Properties	No. of properties	Retail properties valuation	Retail rentals	Average monthly unit rent <sup>(1)</sup>		Occupancy rate	
		As at 30 September 2018 HK\$'M	Six months ended 30 September 2018 HK\$'M	As at 30 September 2018 HK\$ psf	As at 31 March 2018 HK\$ psf	As at 30 September 2018 %	As at 31 March 2018 %
Destination	6	31,119	635	87.8	83.0	92.3	96.3
Community	33	76,851	1,721	73.7	70.6	97.0	97.7
Neighbourhood	70	38,421	912	47.8	44.9	94.9	96.4
<b>Total</b>	<b>109</b>	<b>146,391</b>	<b>3,268</b>	<b>65.7</b>	<b>62.4</b>	<b>95.5</b>	<b>97.0</b>

Note:

<sup>(1)</sup> Average monthly unit rent represents the average base rent plus management fee per month psf of leased area.

## Portfolio Lease Expiry Profile

(As at 30 September 2018)

	% of total area %	% of monthly rent %
2018/2019	19.4	14.7
2019/2020	23.3	24.2
2020/2021 and Beyond	49.6	57.5
Short-term Lease and Vacancy	7.7	3.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Car Parks

Our car park portfolio, comprises approximately 61,000 spaces, spans across Hong Kong and the spaces are mostly adjacent to our shopping centres. In light of the prevailing market imbalance in parking spaces as well as the growing demand of new visitors attracted by our successful asset management strategies, income from car parks recorded a year-on-year increase of 10.0% on a like-for-like basis. For the period ended 30 September 2018, car park income per space per month increased by 9.9% year-on-year to HK\$2,706.

### Key Car Park Performance Indicators

	Six months ended 30 September 2018	Six months ended 30 September 2017
Car park income per space per month (HK\$)	<b>2,706</b>	2,463
	As at 30 September 2018	As at 31 March 2018
Total valuation (HK\$'M)	<b>36,234</b>	34,510
Average valuation per space (HK\$'000)	<b>595</b>	567

## Mainland China Portfolio

Our three properties in Mainland China – EC Mall in Beijing, Metropolitan Plaza in Guangzhou, and Link Square 1 & 2 in Shanghai – performed satisfactorily during the six-month period under review. Together, they contributed a total revenue of HK\$490 million and net property income of HK\$390 million during the six months under review, representing a 22.8% and a 25.8% year-on-year increase, respectively.

Performance of our retail portfolio continued to be strong with an occupancy rate of 98.8%. The latest addition to the portfolio, Metropolitan Plaza, continues to be a growth engine with vast potential to be unlocked. EC Mall's reversion rate stayed at a satisfactory level and the new tenants have been warmly welcomed by the local community. Reversion rate of retail portfolio stood high at 43.2%. We will continue to tailor asset management strategies to enhance our asset qualities and offerings to the neighbourhoods.

Our office property in Shanghai, Link Square 1 & 2, achieved satisfactory results with office occupancy rate standing at 98.9% as at 30 September 2018. During the six-month period under review, only a small fraction of the office leases, less than 2% of total office area, expired and the average reversion rate was only 0.2%. The majority of expiring office leases will fall into the second half of the current financial year, but many of them have been committed. Management is confident that Link Square 1 & 2 is on track to deliver a double-digit reversion for the full year.

### Portfolio Lease Expiry Profile

(As at 30 September 2018)

	Retail		Office	
	% of total area %	% of monthly rent %	% of total area %	% of monthly rent %
2018/2019	4.6	7.8	8.8	10.1
2019/2020	24.7	31.9	20.0	21.0
2020/2021 and Beyond	69.5	60.3	70.1	68.9
Vacancy	1.2	–	1.1	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## Enhancement

Enhancement is an essential asset management tool to upkeep our properties' attractiveness amidst the everchanging retail environment. We execute our enhancement plans carefully to create better places as we believe they bring both financial and non-financial benefits to our Unitholders and shoppers.

During the period, we completed four asset enhancement projects, namely Fu Shin Shopping Centre, Homantin Plaza, Sam Shing Commercial Centre and Wan Tsui Commercial Complex.

### Return on Investment of Asset Enhancement Projects Completed in the Six Months Ended 30 September 2018

	<b>Total Project Capex HK\$'M</b>	<b>Estimated return on investment<sup>(1)</sup> %</b>
Fu Shin Shopping Centre <sup>(2)</sup>	98	25.9%
Homantin Plaza <sup>(2)</sup>	116	24.2%
Sam Shing Commercial Centre	35	20.9%
Wan Tsui Commercial Complex	154	13.8%
<b>Total</b>	<b>403</b>	

*Notes:*

<sup>(1)</sup> 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.

<sup>(2)</sup> Included a fresh market upgrade.

Fu Shin Shopping Centre in Tai Po has both its shopping centre and market revamped. The fresh market is consolidated for the conversion of the vacant market area into new retail space, enabling a well-established playground operator to expand into Tai Po and make good use of the high ceiling. For the shopping centre, significant planning and investment have improved its layout and circulation to draw additional traffic and spending of the shoppers. Upgrades of common areas and barrier-free access have also been included in the work scope to complement these new changes.

The enhancement of Homantin Plaza has reinforced its community centre status in the prime residential district in Ho Man Tin, Kowloon. The integrated enhancement programme involved a combination of retail and market refurbishment. External features of the shopping centre were completely modernised with an improved façade and new entrance portals to increase its visual appeal. New ceilings, lighting and toilet upgrades have been introduced with new layout for better tenant mix. The traditional market has also been upgraded to our latest fresh market standard to better serve local neighbourhood with increasing number of residents.

Situated by the seaside in Tuen Mun, Sam Shing Commercial Centre was completely facelifted to unlock its locational advantage and latent potential. Glass wall, barrier-free access ramp and elevator were introduced to the entrance area to create a warm welcoming ambience. Reconfiguration has also been made to maximise the seaview frontage for the dining area of a new Chinese restaurant.

Wan Tsui Commercial Complex, a neighbourhood centre in Chai Wan, underwent a complete revamp to elevate the whole retail environment with a fresh identity. Its overall ambience was enhanced by a prominent façade upgrade and a full air-conditioning enclosure. Coupled with a number of infrastructure enhancements such as the replacement of escalators, the trade mix has been upgraded with increased retail and food and beverage offerings to fulfill local community needs. The estimated return on investment fell short of our target due to a scope revision that we believe will be more beneficial to the neighbourhood and also to a slight delay in the project because of unforeseen site conditions.

Our asset enhancement pipeline is filled with projects in various stages, including 10 projects currently underway, 5 preparing to commence and 19 projects undergoing review.

### Asset Enhancement Pipeline

	<b>Number of projects</b>	<b>Estimated costs HK\$'M</b>
Underway	10	1,029
Pending statutory approval	5	681
Others under planning	19	839
<b>Total</b>	<b>34</b>	<b>2,549</b>



## Approved Asset Enhancement Projects Underway

	<b>Estimated costs HK\$'M</b>	<b>Target completion date</b>
Wo Che Plaza <sup>(1)</sup>	151	End of 2018
Kai Tin Shopping Centre Phase 1	34	End of 2018
Cheung Fat Plaza	98	End of 2018
Choi Yuen Plaza	46	End of 2018
Fu Tai Shopping Centre	59	End of 2018
Shun Lee Commercial Centre	76	Early 2019
Lok Fu Place	151	Early 2019
Choi Ming Shopping Centre	94	Early 2019
Fu Cheong Shopping Centre <sup>(1)</sup>	170	Mid 2019
Tsz Wan Shan Shopping Centre	150	End of 2019
<b>Total</b>	<b>1,029</b>	

*Note:*

<sup>(1)</sup> Enhancement included fresh market.

### Acquisition and Divestment

We are currently reviewing our portfolio and seeking opportunities to enhance our portfolio quality and sustain our long-term growth trajectory through active portfolio management. We are considering acquisitions and/or divestments which can drive sustainable return for our Unitholders in the long-run. We target to acquire retail properties and premium grade-A offices in both Hong Kong and tier-one cities and their surrounding river delta areas in Mainland China. Other key considerations include good connectivity, limited competition, sizeable catchment and good growth potential.

This year, 700 Nathan Road was officially opened. The retail podium – “T.O.P – This is Our Place” – aspires to become an iconic shopping destination in Mong Kok. We are pleased that over 90% of the retail space has been committed and many first-in-Hong Kong restaurants are well-received by shoppers. Atop the retail podium, approximately 73% of the tower portion has been committed or under advanced negotiation, which includes lifestyle and professional services providers such as beauty and spa, clinics, and co-working space.

## Development

The Quayside – our joint venture project with Nan Fung Development Limited at 77 Hoi Bun Road in Kowloon East – will be completed in early 2019. Construction and leasing of this pioneer project is progressing swiftly. Topping out ceremony was held at the end of June 2018 and as of today, nearly 60% of office space has been pre-leased, including our anchor tenant, J.P. Morgan. For the remaining space, we will continue to target multinational corporations that have consolidation and relocation needs. As The Quayside completes next year, it will become a distinctive centrepiece in the vibrant area of Kowloon East.

## Valuation Review

As at this financial period end, total value of investment properties (including property under development in Hong Kong and properties in Mainland China) rose by 3.3% to HK\$209,790 million from HK\$203,091 million as at 31 March 2018.

On the back of increase in net property income, value of our Hong Kong retail properties and car parks increased by 3.4% to HK\$146,391 million (31 March 2018: HK\$141,513 million) and 5.0% to HK\$36,234 million (31 March 2018: HK\$34,510 million), respectively. Value of the Hong Kong property under development in Kowloon East – The Quayside – also increased to HK\$9,919 million (31 March 2018: HK\$8,733 million). As at 30 September 2018, properties in Mainland China were valued at HK\$17,246 million (31 March 2018: HK\$18,335 million). The decrease in valuation was due to Renminbi depreciation. In Renminbi terms, the valuation of Mainland China properties increased by 3.6%.

Jones Lang LaSalle Limited, our Principal Valuer, applied various valuation methods to appraise our assets. It used income capitalisation and discounted cash flow (**DCF**) approaches, also cross-referencing market comparables via direct comparison approach, for the completed properties in Hong Kong and Mainland China. It also used residual approach for the property under development.

## Valuation Approach

	<b>As at 30 September 2018</b>	As at 31 March 2018
<b>Income Capitalisation Approach – Capitalisation Rate</b>		
<b>Hong Kong</b>		
Retail properties: weighted average	<b>3.98%</b>	3.98%
Car parks: weighted average	<b>4.14%</b>	4.14%
Overall weighted average	<b>4.02%</b>	4.01%
<b>Mainland China</b>		
Retail properties	<b>4.50% – 4.75%</b>	4.50% – 4.75%
Office properties	<b>4.25%</b>	4.25%
<b>DCF Approach – Discount Rate</b>		
<b>Hong Kong</b>		
	<b>7.50%</b>	7.50%
<b>Mainland China</b>		
Retail properties	<b>7.25% – 7.75%</b>	7.25% – 7.75%
Office properties	<b>7.25%</b>	7.25%

## Maintain a Balanced Capital Structure

During the period under review, US economic conditions remained strong. On the back of solid GDP growth, the lowest unemployment rate since 1969 and core inflation in excess of 2%, US Federal Reserve raised interest rate twice by a total of 0.5% during this period.

In our 2017/2018 annual report, we described our strategy to increase interest rate hedging in preparation for HKD interest rates rising faster than USD interest rates. During the period under review, Hong Kong banking market liquidity started to reduce with Hong Kong Monetary Authority aggregate balance recording a HK\$83 billion net outflow. 1-month HKD HIBOR rose more than USD LIBOR by about 0.9% during this period. Despite the higher HKD interest rates, we managed to keep the effective interest cost of our debt portfolio relatively stable at 3.19% as at 30 September 2018 (31 March 2018: 2.89%). The percentage of fixed rate debt to total debt was maintained at a relatively high level of 69.7% (31 March 2018: 75.8%). Average life of fixed rate debt, representing the average period of interest rate protection provided by fixed rate debt, was also maintained at a long period of 5.2 years (31 March 2018: 5.3 years).

## Debt Profile <sup>(1)</sup>

(As at 30 September 2018)

(HK\$ billion)	Fixed rate debt <sup>(2)</sup>	Floating rate debt <sup>(2)</sup>	Total debt
Unsecured bank loans	6.5	1.0	7.5
Medium Term Note (MTN)	9.3	5.9	15.2
<b>Total</b>	<b>15.8</b>	<b>6.9</b>	<b>22.7</b>
Percentage	69.7%	30.3%	100%

### Notes:

<sup>(1)</sup> All amounts are at face value.

<sup>(2)</sup> After interest rate swaps.

Earlier this year, we announced our intention to buy back up to 80 million units to neutralise loss in distribution from divestment. For the period ended 30 September 2018, we have completed approximately 39.5 million units of buyback using approximately HK\$3.0 billion. We expect to continue with the unit buyback plan in the coming months where market conditions and regulations permit.

As at 30 September 2018, total debt decreased to HK\$22.7 billion (31 March 2018: HK\$26.3 billion). The average life of committed debt facilities stood at 3.9 years (31 March 2018: 3.9 years). Gearing ratio lowered to 10.3% (31 March 2018: 11.9%). Available liquidity decreased to HK\$14.0 billion (31 March 2018: HK\$22.7 billion), comprising of HK\$3.9 billion cash and deposits (31 March 2018: HK\$11.7 billion) and HK\$10.1 billion undrawn committed facilities (31 March 2018: HK\$11.0 billion).

## Debt Maturity Profile <sup>(1)</sup>

(As at 30 September 2018)

(HK\$ billion)	Unsecured bank loans	MTN	Total debt
Due in 2018/2019	—	—	—
Due in 2019/2020	2.3	1.3	3.6
Due in 2020/2021	2.5	0.4	2.9
Due in 2021/2022	2.0	1.4	3.4
Due in 2022/2023 and beyond	0.7	12.1	12.8
<b>Total</b>	<b>7.5</b>	<b>15.2</b>	<b>22.7</b>

### Note:

<sup>(1)</sup> All amounts are at face value.

Further to Standard & Poor's relaxation of Link's key rating trigger in July 2017, Moody's also took a similar action in August 2018. On 24 August 2018, Moody's key rating trigger on Link (debt-to-EBITDA) was relaxed from 5.0-5.5 times to 6.0-6.5 times while affirming Link's credit rating at "A2/Stable" in view of our resilience to economic downturns. On 5 September 2018, Standard and Poor's re-affirmed Link's rating at "A/Stable". The relaxation of these rating triggers provides Link with a larger debt buffer to finance future acquisitions.

## **Develop a Strong Team**

The greatest contributors to our success at Link are our people – who play an integral part in delivering our brand promise that “We **Link** People to a Brighter Future”. The establishment of the culture of Link and our approach to employee training, development and well-being have been an important part of our focus this year.

### **Our Approach to People and Culture**

At Link, we believe cultivating a culture is vital in supporting the delivery of our strategic priorities. Our values – Respect, Excellence, Integrity and Teamwork – continue to guide our day-to-day behaviours and define how we work with each other and external stakeholders. However, our culture is more than just our values. We are committed to developing a truly inclusive environment, where our staff can bring their “whole-self” to work and maximise their contribution.

To attract, retain and develop talented employees, our Human Resources team continually ensures our overall salary, bonus and other benefits remain competitive. We regularly review our workforce composition, compensation packages and our learning and development programmes.

Diversity is essential to ensure that we have a broad array of perspectives to keep Link competitive in today’s economy. This is not limited to gender diversity but includes a wide spectrum of attributes and backgrounds we look for when recruiting new employees. As at 30 September 2018, we had 976 staff.

As a caring employer, we echoed the 2018 Policy Address that mothers deserve additional time to recuperate, and that fathers need to take care of their wives and the newborns. From this year onwards, fully paid maternity leave has been increased from 10 weeks to 14 weeks and fully paid paternity leave has been increased from 3 days to 5 days.

### **Leadership and Talent Development**

Over the years, we have made progressive strides to identify the management and leadership capabilities we possess today and ensure that improvements are continually made. This year, four taskforces – each with an area of management focus – were established to provide numerous opportunities for collaboration as well as leadership development for committee members.

### **Portfolio Management Committee**

The committee was set up to determine Link’s portfolio strategy and to better position Link for future growth. Investment directions including scope, locations and asset types are discussed. With the participation of senior management, the committee will conduct in a regular basis and constantly review our short-to-medium term portfolio strategy and its corresponding implementation plan to better capture investment opportunities and weather market fluctuations.

## **Asset Management Committee**

Link's business strategy is to acquire, enhance and to hold quality assets that can add synergies and competitiveness to our portfolio. The committee's objective is to develop a unique Link model for retail properties, office and fresh markets. By enhancing integration across business units, we aim at improving management practices and achieving long-term growth.

## **Technology Committee**

At Link, we are committed to understanding the changing technology landscape to harness its potential for Link to reap the benefits of deploying the right level of technology and analytics. The Technology Committee explores new ideas and solutions, sets out the vision for our system architecture and landscape, ensures successful implementation and integration across the company with thorough cost benefit reviews and change management.

## **HR-PR-IR Committee**

An integral element of Link's success is to enhance internal and external communication, the HR-PR-IR Committee aims to align and fortify Link's engagement with internal and external stakeholders. One of its first achievements was to formulate volunteering strategies, re-establish the Volunteer Committee to encourage our staff to support local projects and bring new ideas and skills back into the workplace. To support our staff with career progression, a Training and Development Committee was established to ensure personal development plans also equip our staff with opportunities and skills to grow and excel.

## **Helping our Communities Flourish**

### **Tenant Mix**

We continued to offer a vibrant shopping experience to our communities with over 9,300 tenancies across Hong Kong. With a diversified trade mix, tenants and shoppers can thrive in a productive platform. During the past six months under review, our average monthly retail gross sales per square foot of our Hong Kong tenants continued to grow by 7.2% as compared to the last corresponding period. Daily necessity trades such as "Food and Beverage" and "Supermarket and Foodstuff" continued to maintain a healthy level and outperformed general Hong Kong retail market, with a year-on-year growth in gross sales per square foot of 8.0% and 3.8%, respectively, while "General Retail" recorded a 9.7% increase.

Rent-to-sales ratio of the overall Hong Kong portfolio was 13.3% for the period. On specific trade categories, our tenants' rent-to-sales ratio for "Food and Beverage", "Supermarket and Foodstuff" and "General Retail" were 13.6%, 12.0% and 14.5% respectively for the period under review.

## Hong Kong Portfolio Retail Trade Mix

(As at 30 September 2018)

Trade	By monthly rent %	By leased area %
Food and Beverage	27.9	28.8
Supermarket and Foodstuff	21.6	17.8
Markets/Cooked Food Stalls	14.3	8.5
Services	10.7	10.1
Personal Care/Medicine	5.8	3.9
Education/Welfare and Ancillary	0.9	7.3
Valuable Goods (Jewellery, watches and clocks)	0.9	0.5
Others <sup>(1)</sup>	17.9	23.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

*Note:*

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

### Link Together Initiatives

Link's flagship Charity and Community Engagement Programme – Link Together Initiatives – continued to live up our brand promise of “We **Link** People to a Brighter Future”. To support charitable organisations in advancing sustainable development in the communities we serve, Link contributes an amount of up to 0.25% of its net property income from the previous financial year to the community projects annually. The result of 2018/2019 funding cycle was announced in August 2018, with a total of HK\$14.4 million earmarked for eight major fund projects and Link First Generation University Student Scholarship. Of the eight major fund projects, six projects are from the previous year and two are new this year. We have also introduced a longer project funding period of two to three years, to ensure we collaborate and create long-term value for both our working partners and the community.

## **Technology and Innovation – Mobile Apps**

Together with our award-winning Park & Dine mobile app, we recently developed and launched a new mobile app – T.O.P – to enhance our shoppers’ experience at our newly opened shopping centre T.O.P – This is Our Place at 700 Nathan Road. The app is developed with interactive social and O2O functions through which shoppers can register as members and enjoy a variety of features in T.O.P. In addition to the basic e-queueing, e-coupon, in-mall navigation and unlimited WiFi services, shoppers can participate in exclusive mall events, look for dining and shopping buddies, watch live streams of in-mall music performances, and share real-time status in social media. Since its launch in the first three months, about 30,000 downloads have been recorded. To facilitate the operations of our tenants, we have also developed a merchant app for better communication, coupon redemption and inventory management for gifts of the loyalty programme. As at September 2018, 70% of our food and beverage tenants have adopted the merchant app. With the ease of innovative technology, we are committed to serving our community with greater convenience and a unique experience.

## **OUTLOOK AND STRATEGY**

Link remains well-placed to sustain the growth of our total return. Hong Kong’s economy continues to be stable and Mainland China’s focus on driving domestic consumption should continue to fuel shopping at our non-discretionary retail focused properties. Adding to this, our increasing proficiency in property development and ongoing prudent exploration of acquisition opportunities should maintain our upward progress.

However, we will not allow ourselves to become complacent, especially as the market enters the proverbial “calm before the storm”. The next few months will test the foundation of the relationships, understanding and expertise we have meticulously built up over the years, we are confident that the team will remain agile and that our capital management has the flexibility to absorb upcoming risks, as well as capitalise on opportunities that will potentially emerge.

We have a strong organisation in place, a compelling strategy and a world class property portfolio. This gives us the utmost confidence that Link will continue to deliver.



## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		Six months ended 30 September 2018 (Unaudited) HK\$'M	Six months ended 30 September 2017 (Unaudited) HK\$'M
	<i>Note</i>		
<b>Revenue</b>	4	<b>4,930</b>	4,949
Property operating expenses	6	<b>(1,171)</b>	(1,182)
Net property income		<b>3,759</b>	3,767
General and administrative expenses		<b>(151)</b>	(185)
Change in fair values of investment properties		<b>6,702</b>	9,432
Interest income		<b>59</b>	2
Finance costs	7	<b>(302)</b>	(288)
<b>Profit before taxation and transactions with Unitholders</b>	8	<b>10,067</b>	12,728
Taxation	10	<b>(732)</b>	(589)
<b>Profit for the period, before transactions with Unitholders</b>		<b>9,335</b>	12,139
Distributions paid to Unitholders		<b>(2,758)</b>	(2,581)
		<b>6,577</b>	9,558
Represented by:			
Change in net assets attributable to Unitholders, excluding issues of new units and units bought back		<b>4,690</b>	10,228
Amount arising from exchange reserve and cash flow hedging reserve movements	23	<b>1,778</b>	(677)
Non-controlling interest		<b>109</b>	7
		<b>6,577</b>	9,558
Profit for the period, before transactions with Unitholders attributable to			
– Unitholders ( <i>Note</i> )	11	<b>9,226</b>	12,132
– Non-controlling interest		<b>109</b>	7
		<b>9,335</b>	12,139

*Note:* Earnings per unit, based upon profit for the period 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 2018**

	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
<b>Six months ended 30 September 2018</b>					
Profit for the period	9,226	(7,448)	1,778	109	1,887
Other comprehensive income					
Items that may be reclassified subsequently to the condensed consolidated income statement					
– Cash flow hedging reserve	(24)	–	(24)	–	(24)
– Exchange reserve	(1,754)	–	(1,754)	–	(1,754)
Total comprehensive income for the period	<u>7,448</u>	<u>(7,448)</u>	<u>–</u>	<u>109</u>	<u>109</u>
<b>Six months ended 30 September 2017</b>					
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	<u>12,809</u>	<u>(12,809)</u>	<u>–</u>	<u>7</u>	<u>7</u>

**Notes:**

- (i) Transactions with Unitholders comprise the distributions to Unitholders of HK\$2,758 million (2017: HK\$2,581 million) and change in net assets attributable to Unitholders, excluding issues of new units and units bought back, of HK\$4,690 million (2017: HK\$10,228 million).
- (ii) In accordance with the Trust Deed, the units of Link Real Estate Investment Trust 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 2018**

		<b>Six months ended 30 September 2018 (Unaudited) HK\$'M</b>	Six months ended 30 September 2017 (Unaudited) HK\$'M
<b>Profit for the period, before transactions with Unitholders attributable to Unitholders</b>		<b>9,226</b>	12,132
Adjustments:			
– Change in fair values of investment properties attributable to Unitholders		<b>(6,591)</b>	(9,424)
– Deferred taxation on change in fair values of investment properties attributable to Unitholders		<b>145</b>	48
– Change in fair values of financial instruments		<b>35</b>	–
– Other non-cash income		<b>(56)</b>	(83)
– Depreciation charge on investment properties under China Accounting Standards		<b>–</b>	(69)
<b>Total Distributable Income (Note (i))</b>		<b>2,759</b>	2,604
<b>Discretionary distribution (Note (ii))</b>		<b>–</b>	69
<b>Total Distributable Amount</b>		<b>2,759</b>	2,673
Interim distribution for the period, to be paid to the Unitholders (Note (iii))		<b>2,759</b>	2,673
Total Distributable Amount as a percentage of Total Distributable Income		<b>100%</b>	103%
Units in issue at 30 September	22	<b>2,111,986,754</b>	2,199,876,472
<b>Distribution per unit to Unitholders for the period (Note (iii))</b>		<b>HK130.62 cents</b>	HK121.50 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 Real Estate Investment Trust 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% (2017: 100%) of Total Distributable Income as the distribution for the six months ended 30 September 2018.
- (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 ended 30 September 2017.
- (iii) The interim distribution per unit of HK130.62 cents (2017: HK121.50 cents) for the six months ended 30 September 2018 is calculated based on the interim distribution of HK\$2,759 million (2017: HK\$2,673 million) for the period and 2,111,986,754 units (2017: 2,199,876,472 units) in issue as at 30 September 2018, 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 10 December 2018.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 30 SEPTEMBER 2018

	Note	30 September 2018 (Unaudited) HK\$'M	31 March 2018 (Audited) HK\$'M
<b>Non-current assets</b>			
Goodwill	12	399	416
Investment properties	13	209,790	203,091
Property, plant and equipment	14	112	115
Derivative financial instruments	20	225	280
		210,526	203,902
<b>Current assets</b>			
Trade and other receivables	15	755	715
Deposits and prepayments		132	97
Derivative financial instruments	20	6	1
Short-term bank deposits	16	2,650	8,525
Cash and cash equivalents	16	1,200	3,164
		4,743	12,502
<b>Total assets</b>		215,269	216,404
<b>Current liabilities</b>			
Trade payables, receipts in advance and accruals	17	2,336	2,462
Security deposits		1,586	1,665
Provision for taxation		629	420
Current portion of long-term incentive schemes provision	18	67	87
Interest bearing liabilities	19	2,998	2,589
Derivative financial instruments	20	–	2
		7,616	7,225
<b>Net current (liabilities)/assets</b>		(2,873)	5,277
<b>Total assets less current liabilities</b>		207,653	209,179
<b>Non-current liabilities, excluding net assets attributable to Unitholders</b>			
Long-term incentive schemes provision	18	36	50
Interest bearing liabilities	19	19,124	23,196
Derivative financial instruments	20	482	375
Deferred tax liabilities		3,081	2,893
Other non-current liabilities	21	3,969	3,597
		26,692	30,111
<b>Total liabilities, excluding net assets attributable to Unitholders</b>		34,308	37,336
<b>Non-controlling interest</b>		583	474
<b>Net assets attributable to Unitholders</b>		180,378	178,594
Units in issue	22	2,111,986,754	2,150,058,972
Net assets per unit attributable to Unitholders		HK\$85.41	HK\$83.06

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Note	Net assets attributable to Unitholders (Unaudited) HK\$'M	Total reserves (Unaudited) HK\$'M	Non- controlling interest (Unaudited) HK\$'M
At 1 April 2018		178,594	580	474
Issuance of units under the 2007 long-term incentive plan		101	-	-
Units bought back for cancellation		(3,007)	-	-
Profit for the six months ended 30 September 2018, before transactions with Unitholders		9,226	-	109
Distributions paid to Unitholders – 2018 final distribution		(2,758)	-	-
Change in fair values of cash flow hedges	23	-	58	-
Amount transferred to the condensed consolidated income statement	23	-	(82)	-
Exchange loss on translation of financial statements	23	-	(1,754)	-
Amount arising from exchange reserve and cash flow hedging reserve movements	23	(1,778)	1,778	-
Change in net assets attributable to Unitholders and non-controlling interest for the six months ended 30 September 2018, excluding issues of new units and units bought back		4,690	-	109
<b>At 30 September 2018</b>		<b>180,378</b>	<b>580</b>	<b>583</b>
At 1 April 2017		138,241	580	256
Issuance of units under the 2007 long-term incentive 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		-	(25)	-
Amount transferred to the condensed consolidated income statement		-	49	-
Exchange gain on translation of financial statements		-	653	-
Amount arising from exchange reserve and cash flow hedging reserve movements		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		10,228	-	7
At 30 September 2017		147,634	580	263

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

	<b>Six months ended 30 September 2018 (Unaudited) HK\$'M</b>	<b>Six months ended 30 September 2017 (Unaudited) HK\$'M</b>
<b>Operating activities</b>		
<b>Net cash generated from operating activities</b>	<b>2,832</b>	<b>3,398</b>
<b>Investing activities</b>		
Acquisition of business	–	(4,496)
Additions to investment properties	(1,297)	(937)
Additions to property, plant and equipment	(16)	(17)
Interest income received	42	2
Decrease in short-term bank deposits with original maturity of more than three months	<b>5,875</b>	<b>50</b>
<b>Net cash generated from/(used in) investing activities</b>	<b>4,604</b>	<b>(5,398)</b>
<b>Financing activities</b>		
Proceeds from interest bearing liabilities, net of transaction costs	<b>4,877</b>	9,865
Repayment of interest bearing liabilities	<b>(8,432)</b>	(4,105)
Increase in amount due to non-controlling interest	<b>237</b>	99
Interest expenses paid on interest bearing liabilities	<b>(260)</b>	(376)
Distributions paid to Unitholders	<b>(2,758)</b>	(2,581)
Units bought back for cancellation	<b>(3,007)</b>	(928)
<b>Net cash (used in)/generated from financing activities</b>	<b>(9,343)</b>	<b>1,974</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,907)</b>	<b>(26)</b>
Cash and cash equivalents at 1 April	<b>3,164</b>	535
Effect on exchange rate changes on cash and cash equivalents	<b>(57)</b>	<b>6</b>
<b>Cash and cash equivalents at 30 September</b>	<b>1,200</b>	<b>515</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 Corporate information

Link Real Estate Investment Trust (**Link**) 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 12 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, 15 January 2015 and 25 July 2018) (together the **Trust Deed**).

The principal activity of Link and its subsidiaries (the **Group**) 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 2018 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 2018.

As at 30 September 2018, 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 condensed consolidated 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 2018, except for the adoption of the following new standards, amendments and interpretation issued by the HKICPA which became effective for the six months ended 30 September 2018.

HKAS 40 Amendments	Transfers of Investment Property
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 Amendments	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014–2016 Cycle	

The adoption of these new standards, amendments and interpretation has not had any significant effect on the accounting policies or results and the 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 2019.

HKAS 19 Amendments	Employee Benefits <sup>(1)</sup>
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures <sup>(1)</sup>
HKAS 28 (2011) and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup>
HKFRS 9 Amendments	Prepayment Features with Negative Compensation <sup>(1)</sup>
HKFRS 16	Leases <sup>(1)</sup>
HKFRS 17	Insurance Contracts <sup>(2)</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>(1)</sup>
Annual Improvements to HKFRSs 2015–2017 Cycle <sup>(1)</sup>	

<sup>(1)</sup> effective for accounting periods beginning on or after 1 January 2019

<sup>(2)</sup> effective for accounting periods beginning on or after 1 January 2021

<sup>(3)</sup> 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 16 which may require further evaluation to address the recognition, classification and measurement of leases, 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:

	<b>Six months ended 30 September 2018 (Unaudited) HK\$'M</b>	Six months ended 30 September 2017 (Unaudited) HK\$'M
Rentals		
– Retail and commercial properties	<b>3,744</b>	3,714
– Car parks	<b>988</b>	1,022
	<b>4,732</b>	4,736
Other revenue		
– Air conditioning service fees	<b>173</b>	188
– Other property related revenue	<b>25</b>	25
	<b>198</b>	213
Total revenue	<b>4,930</b>	4,949

Leases with tenants provide for monthly base rent and recovery of certain outgoings. Additional rents based on business turnover amounted to HK\$60 million (2017: HK\$69 million) and have been included in the rental income.

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

**5 Segment information**

	<b>Retail properties <i>HK\$'M</i></b>	<b>Car parks <i>HK\$'M</i></b>	<b>Others <i>HK\$'M</i></b>	<b>Total <i>HK\$'M</i></b>
<b>For the six months ended 30 September 2018 (Unaudited)</b>				
Revenue	<u>3,762</u>	<u>990</u>	<u>178</u>	<u>4,930</u>
Segment results	2,850	754	4	3,608
Change in fair values of investment properties	4,455	1,699	548	6,702
Interest income				59
Finance costs				<u>(302)</u>
Profit before taxation and transactions with Unitholders				10,067
Taxation				<u>(732)</u>
Profit for the period, before transactions with Unitholders				<u>9,335</u>
Capital expenditure	758	25	923	1,706
Depreciation	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>(9)</u>

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

**5 Segment information (Continued)**

	<b>Retail properties HK\$'M</b>	<b>Car parks HK\$'M</b>	<b>Others HK\$'M</b>	<b>Total HK\$'M</b>
<b>As at 30 September 2018 (Unaudited)</b>				
Segment assets	<b>157,115</b>	<b>36,306</b>	<b>17,368</b>	<b>210,789</b>
Goodwill				<b>399</b>
Derivative financial instruments				<b>231</b>
Short-term bank deposits				<b>2,650</b>
Cash and cash equivalents				<b>1,200</b>
Total assets				<b>215,269</b>
Segment liabilities	<b>2,647</b>	<b>145</b>	<b>1,130</b>	<b>3,922</b>
Provision for taxation				<b>629</b>
Long-term incentive schemes provision				<b>103</b>
Interest bearing liabilities				<b>22,122</b>
Derivative financial instruments				<b>482</b>
Deferred tax liabilities				<b>3,081</b>
Other non-current liabilities				<b>3,969</b>
Total liabilities, excluding net assets attributable to Unitholders				<b>34,308</b>
Non-controlling interest				<b>583</b>
Net assets attributable to Unitholders				<b>180,378</b>

For the six months ended 30 September 2018, revenue of HK\$490 million (2017: HK\$399 million) is attributable to external customers from Mainland China and HK\$4,440 million (2017: HK\$4,550 million) is attributable to external customers from Hong Kong.

As at 30 September 2018, non-current assets of HK\$17,363 million (31 March 2018: HK\$18,469 million) is located in Mainland China and HK\$192,938 million (31 March 2018: HK\$185,153 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 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 <i>HK\$'M</i>	Car parks <i>HK\$'M</i>	Others <i>HK\$'M</i>	Total <i>HK\$'M</i>
As at 31 March 2018 (Audited)				
Segment assets	152,841	34,579	16,598	204,018
Goodwill				416
Derivative financial instruments				281
Short-term bank deposits				8,525
Cash and cash equivalents				3,164
Total assets				<u>216,404</u>
Segment liabilities	2,559	149	1,419	4,127
Provision for taxation				420
Long-term incentive schemes provision				137
Interest bearing liabilities				25,785
Derivative financial instruments				377
Deferred tax liabilities				2,893
Other non-current liabilities				3,597
Total liabilities, excluding net assets attributable to Unitholders				<u>37,336</u>
Non-controlling interest				<u>474</u>
Net assets attributable to Unitholders				<u><u>178,594</u></u>

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

**6 Property operating expenses**

	<b>Six months ended 30 September 2018 (Unaudited) HK\$'M</b>	Six months ended 30 September 2017 (Unaudited) HK\$'M
Property managers' fees, security and cleaning	<b>282</b>	291
Staff costs ( <i>Note 9</i> )	<b>258</b>	243
Repair and maintenance	<b>104</b>	107
Utilities	<b>168</b>	185
Government rent and rates	<b>143</b>	144
Promotion and marketing expenses	<b>56</b>	55
Estate common area costs	<b>45</b>	51
Business and real estate taxes in Mainland China	<b>36</b>	28
Other property operating expenses	<b>79</b>	78
	<hr/>	<hr/>
	<b>1,171</b>	1,182
	<hr/> <hr/>	<hr/> <hr/>

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

**7 Finance costs**

	<b>Six months ended 30 September 2018 (Unaudited) HK\$'M</b>	Six months ended 30 September 2017 (Unaudited) HK\$'M
Interest expenses on interest bearing liabilities	<b>357</b>	369
Other borrowing costs ( <i>Note (i)</i> )	<b>(14)</b>	73
	<b>343</b>	442
Less: capitalised under investment properties ( <i>Note (ii)</i> )	<b>(131)</b>	(176)
	<b>212</b>	266
Fair value loss on non-controlling interest put option obligation ( <i>Note 21</i> )	<b>90</b>	22
	<b>302</b>	288

*Notes:*

- (i) Other borrowing costs include HK\$45 million (2017: HK\$32 million) interest expenses to non-controlling interest, HK\$82 million net gains (2017: HK\$49 million net losses) on interest rate swap contracts designated as cash flow hedges, HK\$13 million (2017: HK\$38 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 3.2% (2017: 2.5%) per annum.

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

**8 Profit before taxation and transactions with Unitholders**

Profit before taxation and transactions with Unitholders for the period is stated after charging:

	<b>Six months ended 30 September 2018 (Unaudited) HK\$'M</b>	Six months ended 30 September 2017 (Unaudited) HK\$'M
Staff costs ( <i>Note 9</i> )	375	348
Depreciation of property, plant and equipment	9	10
Trustee's fee	10	9
Valuation fee	1	1
Auditor's remuneration		
Audit and audit-related assurance services	1	1
Acquisition related professional fees	–	1
Total auditor's remuneration	1	2
Bank charges	3	3
Commission to property agents	3	1
Donations	14	9
Exchange (gain)/loss	(53)	21
Operating lease charges	18	17
Other legal and professional fees	4	3
	4	3



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

**9 Staff costs**

	<b>Six months ended 30 September 2018 (Unaudited) HK\$'M</b>	Six months ended 30 September 2017 (Unaudited) HK\$'M
Wages and salaries	<b>328</b>	302
Contributions to mandatory provident fund scheme	<b>7</b>	7
Long-term incentive schemes awards ( <i>Note 18</i> )	<b>76</b>	73
	<b>411</b>	382
Less: capitalised under investment properties	<b>(36)</b>	(34)
Staff costs ( <i>Note 8</i> )	<b>375</b>	348

Staff costs can be further analysed as below:

	<b>Six months ended 30 September 2018 (Unaudited) HK\$'M</b>	Six months ended 30 September 2017 (Unaudited) HK\$'M
Included under property operating expenses ( <i>Note 6</i> )	<b>258</b>	243
Included under general and administrative expenses	<b>117</b>	105
	<b>375</b>	348

## 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% (2017: 16.5%) on the estimated assessable profit for the period. Corporate income tax in Mainland China has been provided for at the applicable rate on the estimated assessable profit for the period.

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

	<b>Six months ended 30 September 2018 (Unaudited) HK\$'M</b>	<b>Six months ended 30 September 2017 (Unaudited) HK\$'M</b>
Current taxation		
– Hong Kong	<b>400</b>	394
– Mainland China	<b>86</b>	43
Deferred taxation	<b>246</b>	152
Taxation	<b>732</b>	589

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

**11 Earnings per unit based upon profit for the period, before transactions with Unitholders attributable to Unitholders**

	<b>Six months ended 30 September 2018 (Unaudited)</b>	Six months ended 30 September 2017 (Unaudited)
Profit for the period, before transactions with Unitholders attributable to Unitholders	<b><u>HK\$9,226 million</u></b>	<b><u>HK\$12,132 million</u></b>
Weighted average number of units for the period for calculating basic earnings per unit	<b>2,140,748,585</b>	2,211,438,141
Adjustment for dilutive contingently issuable units under long-term incentive schemes	<u>433,450</u>	<u>1,664,197</u>
Weighted average number of units for the period for calculating diluted earnings per unit	<b><u>2,141,182,035</u></b>	<b><u>2,213,102,338</u></b>
Basic earnings per unit based upon profit for the period, before transactions with Unitholders attributable to Unitholders	<b><u>HK\$4.31</u></b>	<b><u>HK\$5.49</u></b>
Diluted earnings per unit based upon profit for the period, before transactions with Unitholders attributable to Unitholders	<b><u>HK\$4.31</u></b>	<b><u>HK\$5.48</u></b>

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

**12 Goodwill**

	Carrying value (Unaudited) <i>HK\$'M</i>
At 1 April 2018	416
Exchange adjustments	(17)
	<hr/>
<b>At 30 September 2018</b>	<b>399</b>
	<hr/> <hr/>

**13 Investment properties**

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

	Completed properties (Unaudited) <i>HK\$'M</i>	Property under development (Unaudited) <i>HK\$'M</i>	Total (Unaudited) <i>HK\$'M</i>
At 1 April 2018	194,358	8,733	203,091
Exchange adjustments ( <i>Note (e)</i> )	(1,703)	–	(1,703)
Additions	791	909	1,700
Change in fair values	6,425	277	6,702
	<hr/>	<hr/>	<hr/>
At 30 September 2018	<b>199,871</b>	<b>9,919</b>	<b>209,790</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**(b) Valuation process**

The investment properties were revalued on a market value basis as at 31 March and 30 September 2018 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 at 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 2018: Level 3) of the fair value hierarchy.

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

**13 Investment properties (Continued)**

**(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 and Metropolitan Plaza in Guangzhou, the completion of which were on 23 February 2015 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.

**(e) Exchange adjustments**

The exchange loss is attributable to the Group's investment properties in Mainland China as a result of the depreciation of Renminbi. This translation difference is included in exchange reserve as set out in Note 23.

**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 2018	12	2	101	115
Additions	1	1	4	6
Depreciation charge for the period	(1)	–	(8)	(9)
<b>At 30 September 2018</b>	<b>12</b>	<b>3</b>	<b>97</b>	<b>112</b>
<b>At 30 September 2018</b>				
Cost	76	6	221	303
Accumulated depreciation	(64)	(3)	(124)	(191)
Net book value	12	3	97	112

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

**15 Trade and other receivables**

	<b>30 September 2018 (Unaudited) HK\$'M</b>	31 March 2018 (Audited) HK\$'M
Trade receivables	111	112
Less: provision for impairment of trade receivables	<u>(7)</u>	<u>(6)</u>
Trade receivables – net	<b>104</b>	106
Other receivables	<u>651</u>	<u>609</u>
	<b><u>755</u></b>	<b><u>715</u></b>

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:

	<b>30 September 2018 (Unaudited) HK\$'M</b>	31 March 2018 (Audited) HK\$'M
0–30 days	99	100
31–90 days	5	6
Over 90 days	<u>7</u>	<u>6</u>
	<b><u>111</u></b>	<b><u>112</u></b>

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**

	<b>30 September 2018 (Unaudited) HK\$'M</b>	31 March 2018 (Audited) HK\$'M
Cash at bank	962	710
Short-term bank deposits with original maturity of less than three months	<u>238</u>	<u>2,454</u>
Cash and cash equivalents	1,200	3,164
Short-term bank deposits with original maturity of more than three months	<u>2,650</u>	<u>8,525</u>
	<b><u>3,850</u></b>	<b><u>11,689</u></b>

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

	<b>30 September 2018 (Unaudited) HK\$'M</b>	31 March 2018 (Audited) HK\$'M
Trade payables	165	157
Receipts in advance	284	245
Accruals	<u>1,887</u>	<u>2,060</u>
	<b><u>2,336</u></b>	<b><u>2,462</u></b>

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:

	<b>30 September 2018 (Unaudited) HK\$'M</b>	31 March 2018 (Audited) HK\$'M
0–30 days	161	152
31–90 days	4	4
Over 90 days	–	1
	<u>165</u>	<u>157</u>

**18 Long-term incentive schemes provision**

	<b>30 September 2018 (Unaudited) HK\$'M</b>	31 March 2018 (Audited) HK\$'M
Long-term incentive schemes provision	103	137
Less: current portion of long-term incentive schemes provision	<u>(67)</u>	<u>(87)</u>
Non-current portion of long-term incentive schemes provision	<u>36</u>	<u>50</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 rules 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 1,407,782 units (2017: 1,561,196 units) for restricted unit awards which have 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 2018	Granted during the period	Vested during the period <sup>(i)</sup>	Cancelled during the period	Lapsed during the period	Outstanding as at 30 September 2018	Maximum to be issued on vesting date <sup>(ii)</sup>
<b>2007 LTI Plan</b>								
24 July 2015	24 July 2015 to 30 June 2018	381,539	-	(376,790)	-	(4,749)	-	-
14 November 2016	14 November 2016 to 30 June 2018	422,855	-	(421,011)	-	(1,844)	-	-
	14 November 2016 to 30 June 2019	420,736	-	-	-	(19,000)	401,736	743,472
2007 LTI Plan subtotal		1,225,130	-	(797,801)	-	(25,593)	401,736	743,472

**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 2018	Granted during the period	Vested during the period <sup>(i)</sup>	Cancelled during the period	Lapsed during the period	Outstanding as at 30 September 2018	Maximum to be issued on vesting date <sup>(ii)</sup>
<b>2017 LTI Scheme</b>								
14 July 2017	14 July 2017 to 30 June 2019	413,000	–	(4,000)	–	(17,571)	391,429	863,513
	14 July 2017 to 30 June 2020	413,000	–	(4,000)	–	(17,885)	391,115	862,775
4 July 2018	4 July 2018 to 30 June 2020	–	579,500	–	(2,250)	(1,000)	576,250	1,297,844
	4 July 2018 to 30 June 2021	–	579,500	–	(2,250)	(1,000)	576,250	1,297,844
2017 LTI Scheme subtotal		<u>826,000</u>	<u>1,159,000</u>	<u>(8,000)</u>	<u>(4,500)</u>	<u>(37,456)</u>	<u>1,935,044</u>	<u>4,321,976</u>
Subtotal		2,051,130	1,159,000	(805,801)	(4,500)	(63,049)	2,336,780	5,065,448
Additional units vested over 100% of restricted unit award granted		–	–	(609,981) <sup>(iii)</sup>	–	–	–	–
Total		<u>2,051,130</u>	<u>1,159,000</u>	<u>(1,415,782)</u>	<u>(4,500)</u>	<u>(63,049)</u>	<u>2,336,780</u>	<u>5,065,448</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**

	<b>30 September 2018 (Unaudited) HK\$'M</b>	31 March 2018 (Audited) HK\$'M
Bank borrowings	7,483	9,932
Medium term notes	<u>14,639</u>	<u>15,853</u>
	<b>22,122</b>	<b>25,785</b>
Less: current portion of interest bearing liabilities	<u>(2,998)</u>	<u>(2,589)</u>
Non-current portion of interest bearing liabilities	<u><b>19,124</b></u>	<u><b>23,196</b></u>

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

**19 Interest bearing liabilities (Continued)**

Interest bearing liabilities are repayable as follows:

	<b>30 September 2018 (Unaudited) HK\$'M</b>	31 March 2018 (Audited) HK\$'M
<b>Due in the first year</b>		
Bank borrowings	2,294	1,498
Medium term notes	704	1,091
	<u>2,998</u>	<u>2,589</u>
<b>Due in the second year</b>		
Bank borrowings	2,487	2,719
Medium term notes	952	1,316
	<u>3,439</u>	<u>4,035</u>
<b>Due in the third year</b>		
Bank borrowings	1,965	2,484
Medium term notes	202	349
	<u>2,167</u>	<u>2,833</u>
<b>Due in the fourth year</b>		
Bank borrowings	321	2,521
Medium term notes	1,763	1,436
	<u>2,084</u>	<u>3,957</u>
<b>Due in the fifth year</b>		
Bank borrowings	416	295
Medium term notes	697	1,225
	<u>1,113</u>	<u>1,520</u>
<b>Due beyond the fifth year</b>		
Bank borrowings	–	415
Medium term notes	10,321	10,436
	<u>10,321</u>	<u>10,851</u>
	<u><u>22,122</u></u>	<u><u>25,785</u></u>

*Notes:*

- (i) Except for medium term notes of HK\$7,242 million (31 March 2018: HK\$7,350 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 3.19% (31 March 2018: 2.89%). 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**

	<b>30 September 2018 (Unaudited) HK\$'M</b>	31 March 2018 (Audited) HK\$'M
<b>Derivative assets</b>		
<b>Current items</b>		
Designated as cash flow hedge		
– interest rate swap contracts	2	–
Designated as fair value hedge		
– interest rate swap contracts	4	1
	<u>6</u>	<u>1</u>
	6	1
<b>Non-current items</b>		
Designated as cash flow hedge		
– interest rate swap contracts	222	250
Designated as fair value hedge		
– cross currency swap contracts	–	13
– interest rate swap contracts	3	17
	<u>225</u>	<u>280</u>
	225	280
	<u>231</u>	<u>281</u>
	231	281
<b>Derivative liabilities</b>		
<b>Current item</b>		
Designated as cash flow hedge		
– interest rate swap contract	–	2
	<u>–</u>	<u>2</u>
	–	2
<b>Non-current items</b>		
Designated as cash flow hedge		
– interest rate swap contracts	4	4
Designated as fair value hedge		
– cross currency swap contracts	450	351
– interest rate swap contracts	28	20
	<u>482</u>	<u>375</u>
	482	375
	<u>482</u>	<u>377</u>
	482	377
	<u>251</u>	<u>96</u>
	251	96

## 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 2018: Level 2) of the fair value hierarchy. During the six months ended 30 September 2017 and 2018, 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 had been debited (2017: HK\$24 million had been credited) to the hedging reserve during the period as further set out in Note 23.

As at 30 September 2018, the derivative financial instruments qualifying as cash flow hedges have, in effect, provided the Group with an average fixed interest rate period of 3.8 years on HK\$6,500 million borrowings (31 March 2018: 4.3 years on HK\$10,000 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 2018 were HK\$6,500 million (31 March 2018: HK\$10,000 million) and 1.81% (31 March 2018: 1.74%) respectively. The notional principal amount of the outstanding floating rates to floating rates interest rate swap contracts as at 30 September 2018 was HK\$6,500 million (31 March 2018: HK\$6,500 million).

As at 30 September 2018, 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 2018 were HK\$7,753 million (31 March 2018: HK\$7,753 million) and HK\$1,400 million (31 March 2018: HK\$1,910 million) respectively.

Gains and losses on interest rate swap contracts recognised in the hedging reserve (Note 23) as at 30 September 2018 will be released to the condensed consolidated income statement.



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

**21 Other non-current liabilities**

	<b>30 September 2018 (Unaudited) HK\$'M</b>	31 March 2018 (Audited) HK\$'M
Amount due to non-controlling interest	3,179	2,897
Non-controlling interest put option obligation	<u>790</u>	<u>700</u>
	<b><u>3,969</u></b>	<b><u>3,597</u></b>

*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 3.2% (31 March 2018: 2.6%), has no fixed repayment term and is not repayable within one year. Such amount 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 First Trust Appraisal Pte Ltd, 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 2018: 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:

	<b>Fair value (Unaudited) HK\$'M</b>
At 1 April 2018	700
Recognised in the condensed consolidated income statement:	
– Fair value loss ( <i>Note 7</i> )	90
	<hr/>
<b>At 30 September 2018</b>	<b>790</b>
	<hr/> <hr/>

**22 Units in issue**

	<b>Number of units (Unaudited)</b>
At 1 April 2018	2,150,058,972
Units bought back for cancellation	(39,480,000)
Units issued under the 2007 LTI Plan	1,407,782
	<hr/>
<b>At 30 September 2018</b>	<b>2,111,986,754</b>
	<hr/> <hr/>

Pursuant to the general mandate granted to the Manager by the Unitholders, the Manager (on behalf of Link) bought back a total of 39,480,000 units (2017: 14,687,000 units) at an aggregate price of HK\$3,007 million (2017: HK\$928 million). All units bought back were cancelled during the period.

Closing price of the units as at 30 September 2018 was HK\$77.05 (31 March 2018: HK\$67.00) per unit. Based on 2,111,986,754 units in issue as at 30 September 2018 (31 March 2018: 2,150,058,972 units), market capitalisation was HK\$162,729 million (31 March 2018: HK\$144,054 million).

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

**23 Reserves**

	Other reserve (Unaudited) HK\$'M	Hedging reserve (Unaudited) HK\$'M	Exchange reserve (Unaudited) HK\$'M	Earnings retained for exchange and cash flow hedge adjustments (Unaudited) HK\$'M	Total reserves (Unaudited) HK\$'M
At 1 April 2018	(580)	244	932	(1,176)	(580)
Cash flow hedges:					
– Change in fair values	–	58	–	–	58
– Amount transferred to the condensed consolidated income statement ( <i>Note (i)</i> )	–	(82)	–	–	(82)
	–	(24)	–	–	(24)
Exchange loss on translation of financial statements ( <i>Note (ii)</i> )	–	–	(1,754)	–	(1,754)
Net assets attributable to Unitholders:					
– Amount arising from exchange reserve and cash flow hedging reserve movements ( <i>Note (iii)</i> )	–	–	–	1,778	1,778
<b>At 30 September 2018</b>	<b>(580)</b>	<b>220</b>	<b>(822)</b>	<b>602</b>	<b>(580)</b>

*Notes:*

- (i) Amount transferred to the condensed consolidated income statement in respect of cash flow hedges was included in “Finance costs” (*Note 7*).
- (ii) Exchange loss included mainly translation difference of HK\$1,703 million of the Group’s investment properties in Mainland China.
- (iii) The amount represented earnings retained for the period to offset the exchange reserve and cash flow hedging reserve movements.

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

**24 Capital commitments**

	<b>30 September 2018 (Unaudited) HK\$'M</b>	31 March 2018 (Audited) HK\$'M
Capital expenditure of investment properties contracted but not provided for at the end of the period	<u><u>1,415</u></u>	<u><u>2,563</u></u>

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

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

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

The table set forth below summarises the names of the connected/related parties, as defined in the REIT Code/HKAS 24 (Revised) “Related Party Disclosures”, and the nature of their relationship with the Group as at 30 September 2018:

<b>Connected/related party</b>	<b>Relationship with the Group</b>
HSBC Institutional Trust Services (Asia) Limited (the <i>Trustee</i> ) *	The Trustee of Link
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (excluding the Trustee and its proprietary subsidiaries) (the <i>HSBC Group</i> ) *	Associates # of the Trustee
Jones Lang LaSalle Limited (the <i>Principal Valuer</i> )	The Principal Valuer of Link
Jones Lang LaSalle Management Services Limited	Associate # of the Principal Valuer
Premier Cleaning Services Limited	Associate # of the Principal Valuer
Aedas Limited *	Associate # of director
Dah Sing Bank, Limited	Associate # of director
The Chamber of Hong Kong Listed Companies	Associate # of director
The Hong Kong Institute of Directors Limited	Associate # of director

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

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

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

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

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

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

	<b>Six months ended 30 September 2018 (Unaudited) HK\$'M</b>	Six months ended 30 September 2017 (Unaudited) HK\$'M
Trustee's fee paid and payable to the Trustee ( <i>Note (ii)</i> )	<b>(10)</b>	(9)
Transactions with the HSBC Group ( <i>Note (iii)</i> )		
Interest expense and various financing charges to the HSBC Group on interest bearing liabilities, cross currency swap contracts and interest rate swap contracts	<b>(23)</b>	(44)
Rental income from the HSBC Group on leasing of retail units	<b>19</b>	19
Interest income from the HSBC Group on short- term bank deposits	<b>4</b>	1
Transactions with the Principal Valuer ( <i>Note (iii)</i> )		
Valuation fee	<b>(1)</b>	(1)
Consultancy services fees	<b>(2)</b>	–
Charges for provision of fitter services paid and payable to Jones Lang LaSalle Management Services Limited ( <i>Note (iii)</i> )	<b>(8)</b>	–
Architectural/renovation consultancy services fees paid and payable to Aedas Limited ( <i>Notes (iii) and (iv)</i> )	<b>(4)</b>	(7)
Rental income from Dah Sing Bank, Limited on leasing of retail units ( <i>Notes (iii) and (v)</i> )	<b>4</b>	–
	<b><u>4</u></b>	<b><u>–</u></b>

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

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

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

*Notes:*

- (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) Aedas Limited is an associate of Mr Ian Keith GRIFFITHS.
- (v) Dah Sing Bank, Limited is an associate of Mr Blair Chilton PICKERELL.

**(c) Balances with related parties**

Balances with related parties are set out below:

	<b>30 September</b>	31 March
	<b>2018</b>	2018
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'M</b>	<b>HK\$'M</b>
Trustee's fee payable to the Trustee	<b>(2)</b>	(3)
Interest bearing liabilities with the HSBC Group	<b>(2,880)</b>	(3,740)
Agency fee payable to the HSBC Group	<b>–</b>	(120)
Net interest payable to the HSBC Group	<b>(3)</b>	(1)
Security deposits from the HSBC Group	<b>(2)</b>	(3)
Cross currency swap contracts and interest rate swap contracts with the HSBC Group	<b>(108)</b>	(84)
Deposits placed with the HSBC Group	<b>910</b>	640
Architectural/renovation consultancy services fees payable to Aedas Limited	<b>(1)</b>	–
	<b><u>          </u></b>	<b><u>          </u></b>

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

### 25 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:

	<b>Six months ended 30 September 2018 (Unaudited) HK\$'M</b>	Six months ended 30 September 2017 (Unaudited) HK\$'M
Fees	4	4
Basic salaries, allowances and other benefits	84	69
Deferred bonus for gains on disposals of investment properties	25	–
Long-term incentive schemes awards	52	46
	<u>165</u>	<u>119</u>

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

The condensed consolidated interim financial information was authorised for issue by the Board on 14 November 2018.

## APPRECIATION

During the period under review, Mr Christopher John BROOKE (**Mr BROOKE**) was appointed as an Independent Non-Executive Director on 1 May 2018 while Mr David Charles WATT (**Mr WATT**) retired as an Independent Non-Executive Director on 13 August 2018. The Board would like to thank Mr WATT for his services and invaluable contributions to Link in the past nine years and welcome Mr BROOKE joining Link.

Taking this opportunity, 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 AND AUDITOR

The interim results and the condensed consolidated interim financial information of the Group for the six months ended 30 September 2018 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.

## AMENDMENTS TO THE CONSTITUTIONAL DOCUMENTS OF LINK

### Trust Deed

On 25 July 2018, with the Unitholders' approval given by way of special resolutions, certain provisions in Link's trust deed (as amended by supplemental deeds) (the **Trust Deed**) were amended. Such amendments included, amongst others, amendments to the definition of "Adjustments" in computing "Total Distributable Income" and expansion of investment scope of Link's investment strategy to include investments in "Relevant Investments". All amendments were detailed in the circular of Link dated 22 June 2018. The Manager and the Trustee (being HSBC Institutional Trust Services (Asia) Limited) entered into the 12th supplemental deed dated 25 July 2018 to make relevant amendments to the Trust Deed.

### Compliance Manual

On 14 November 2018, the Manager's compliance manual (the **Compliance Manual**) has been updated to (i) align with the requirements of the Code on Real Estate Investment Trusts (the **REIT Code**), circulars of the Securities and Futures Commission of Hong Kong and the Trust Deed; and (ii) incorporate the updated terms of reference of the board committees of the Manager.



## CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2018, 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**), the Trust Deed, and the 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 2018 remained in line with those in place for the financial year ended 31 March 2018 as disclosed in the corporate governance report in Annual Report 2017/2018 of Link. Further details will be set out in Interim Report 2018/2019 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 39,480,000 units on The Stock Exchange of Hong Kong Limited at an aggregate consideration (excluding expenses) of approximately HK\$3,007 million. Further details are set out as follows:

Month	Number of units bought back	Purchase price per unit		Approximate aggregate consideration (excluding expenses) HK\$'M
		Highest HK\$	Lowest HK\$	
<b>2018</b>				
July	13,611,500	77.80	71.35	1,019.9
August	25,868,500	78.30	75.05	1,987.5

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, 1,407,782 new units of Link were issued pursuant to the long-term incentive plan adopted by Link on 23 July 2007. Based on 2,111,986,754 units in issue as at 30 September 2018, the number of new units issued in the period represented approximately 0.07% of the issued units of Link.

## 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 HK130.62 cents per unit for the six months ended 30 September 2018 will be paid in cash on Monday, 10 December 2018 to those Unitholders whose names appear on the register of Unitholders of Link on Monday, 3 December 2018. For the purpose of ascertaining Unitholders' entitlement to the interim cash distribution, the register of Unitholders of Link will be closed from Thursday, 29 November 2018 to Monday, 3 December 2018, 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, 28 November 2018.

## DESPATCH OF INTERIM REPORT 2018/2019

The Interim Report 2018/2019 of Link will be despatched to Unitholders on Friday, 30 November 2018.

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

Hong Kong, 14 November 2018

*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 Operating Officer*)

*Non-Executive Director*

Ian Keith GRIFFITHS

*Independent Non-Executive Directors*

Christopher John BROOKE

Ed CHAN Yiu Cheong

Blair Chilton PICKERELL

Poh Lee TAN

May Siew Boi TAN

Peter TSE Pak Wing

Nancy TSE Sau Ling

Elaine Carole YOUNG