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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 2020

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 2020.

The interim results and the condensed consolidated interim financial information of the Group for the six months ended 30 September 2020, after review by the audit and risk management committee of the Manager (the **Audit and Risk Management Committee**), were approved by the Board on 9 November 2020.

OVERALL FINANCIAL RESULTS

During the six months under review, revenue and net property income recorded a decline of 1.9% and 0.8% year-on-year to HK\$5,233 million (six months ended 30 September 2019: HK\$5,332 million) and HK\$4,037 million (six months ended 30 September 2019: HK\$4,071 million), respectively.

After adjustments and a discretionary distribution of HK\$144 million (six months ended 30 September 2019: HK\$145 million), total distributable amount amounted to HK\$2,921 million (six months ended 30 September 2019: HK\$2,966 million). Interim distribution per unit for the period increased by 0.1% to HK141.65 cents (six months ended 30 September 2019: HK141.47 cents).

Valuation of the investment properties portfolio was HK\$195,112 million (31 March 2020: HK\$193,224 million) and net asset value per unit was lowered by 3.9% to HK\$74.60 (31 March 2020: HK\$77.61).

MANAGEMENT DISCUSSION AND ANALYSIS

Business As Mutual

Business as Mutual ethos will be a key enabler – and differentiator – for how we emerge from the pandemic stronger and more attuned to the needs of local communities. By focusing on building relationships and understanding the concerns across our value chain and all our stakeholders, we can enhance our resilience and strengthen our broader ecosystem.

The impact of COVID-19 especially on our tenants has been wide ranging. While some sectors such as supermarkets and fresh markets have experienced growth, others such as Chinese restaurants, fitness centres and entertainment venues have suffered from ongoing social distancing measures. To help our tenants survive the operating pressures brought on by the pandemic, we announced a HK\$300 million tenant support scheme in April 2020, which we subsequently increased to HK\$600 million in August 2020.

Portfolio Growth

With Vision 2025 setting out our strategic objectives, we remain committed to strengthening our foundation and creating value for our Unitholders. We have been focusing on a predominantly “core”, “core-plus” and “value-add” portfolio while seeking opportunities to further strengthen it with assets that offer quality and sustainable return via strategic capital recycling.

Our Portfolio

Hong Kong Portfolio

Our portfolio largely focuses on non-discretionary trades which continued to display relatively high resilience despite market volatility and unprecedented public health challenges. For the six months under review, total revenue of our Hong Kong portfolio decreased by 3.2% year-on-year.

As at 30 September 2020, occupancy rate for the retail portfolio remained stable at 96.1% and overall portfolio reversion rate was at -2.6% during the period. With the financial impact from property management fee waivers and rental concessions, total retail revenue decreased by 5.5% year-on-year. Average monthly unit rent decreased to HK\$68.7 per square foot (*psf*) as at 30 September 2020 from HK\$70.3 *psf* as at 31 March 2020. During the period, our trade mix has remained stable with 65% of monthly rent from food-related trades and our overall tenants' retail gross sales *psf* dropped by 11.6%. Due to stringent social distancing measures and weaker retail sentiment because of COVID-19, “Food and Beverage” and “General Retail” tenants' gross sales *psf* dropped by 24.5% and 20.7% year-on-year, respectively. However, “Supermarket and Foodstuff” tenants recorded a year-on-year growth of 13.9% in gross sales *psf* as it benefitted from more cooking at home. As a result, rent-to-sales ratio of our Hong Kong portfolio increased from 14.7% for 2019/2020 to 15.7% for the first half of 2020/2021 and those of “Food and Beverage”, “Supermarket and Foodstuff” and “General Retail” tenants were 19.3%, 10.9% and 19.1%, respectively.

We own a car park portfolio of approximately 57,000 car park spaces across Hong Kong which represented 15.7% of our total portfolio by value. During the period, total car park revenue recorded a year-on-year decrease of 5.7% and car park income per space per month dropped by 6.3% year-on-year to HK\$2,745. We offered discounts to school bus patrons as they had been severely affected by lockdowns and school closures. Compared with last year end, both total car park valuation and average valuation per space declined by 3.6% to HK\$30,588 million and approximately HK\$541,000, respectively.

Despite the slowdown in leasing momentum, our joint development project with Nan Fung Group – The Quayside – managed to secure additional commitments in both the office tower and the retail podium. As at 30 September 2020, occupancy rates of office and retail space were around 80% and 76%, respectively. Two floors previously occupied by a co-working operator were vacated in October 2020 and we have been actively marketing the space. We expect Kowloon East to remain competitive as the rental gap continues to drive decentralisation to this business district.

Total property operating expenses decreased by 7.9% while net property income margin slightly increased to 77.1% (six months ended 30 September 2019: 75.9%). Property managers' fees, security and cleaning expenses increased by 3.5% as we performed additional cleaning services since the COVID-19 outbreak. Staff costs decreased by 17.3% due to the reversal of long-term incentive scheme provision as a result of a lower unit price compared to last year end. Government rent and rates decreased by 13.6%, promotion and marketing expenses decreased by 15.4% and repair and maintenance expenses decreased by 16.3%.

Retail Revenue Breakdown

	Six months ended 30 September 2020 <i>HK\$'M</i>	Six months ended 30 September 2019 <i>HK\$'M</i>	Year-on-year change %
Retail rentals:			
Shops ⁽¹⁾	2,602	2,778	(6.3)
Markets/Cooked Food Stalls	484	451	7.3
Education/Welfare and Ancillary	70	70	–
Mall Merchandising	83	91	(8.8)
Expenses recovery and other miscellaneous revenue	151	196	(23.0)
Total revenue	3,390	3,586	(5.5)

Note:

⁽¹⁾ Rental from shops included base rent of HK\$2,576 million (six months ended 30 September 2019: HK\$2,746 million) and turnover rent of HK\$26 million (six months ended 30 September 2019: HK\$32 million).

Operational Statistics

	Occupancy rate		Reversion rate		% of total area ⁽¹⁾
	As at 30 September 2020 %	As at 31 March 2020 %	Six months ended 30 September 2020 %	Six months ended 30 September 2019 %	As at 30 September 2020 %
Shops	96.0	96.4	(8.6)	18.9	84.0
Markets/Cooked Food Stalls	95.0	95.0	29.0	12.5	9.2
Education/Welfare and Ancillary	99.5	99.4	4.7	14.0	6.8
Total	96.1	96.5	(2.6)	18.1	100.0

Note:

⁽¹⁾ Total excluding self-use office.

Retail Trade Mix

(As at 30 September 2020)

Trade	By monthly rent	By leased area
	%	%
Food and Beverage	28.1	29.1
Supermarket and Foodstuff	21.3	17.3
Markets/Cooked Food Stalls	15.6	9.1
Services	10.9	10.6
Personal Care/Medicine	5.5	3.9
Education/Welfare and Ancillary	0.9	7.0
Valuable Goods (Jewellery, watches and clocks)	0.8	0.4
Others ⁽¹⁾	16.9	22.6
Total	100.0	100.0

Note:

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

Retail Lease Expiry Profile

(As at 30 September 2020)

	% of total area	% of monthly rent
	%	%
2020/2021	13.0	13.5
2021/2022	30.6	28.8
2022/2023	22.4	25.3
2023/2024 and Beyond	26.1	27.0
Short-term Lease and Vacancy	7.9	5.4
Total	100.0	100.0

Retail Portfolio Breakdown

Properties	No. of properties	Retail properties valuation	Retail rentals	Average monthly unit rent ⁽¹⁾		Occupancy rate	
		As at 30 September 2020 <i>HK\$'M</i>	Six months ended 30 September 2020 <i>HK\$'M</i>	As at 30 September 2020 <i>HK\$ psf</i>	As at 31 March 2020 <i>HK\$ psf</i>	As at 30 September 2020 %	As at 31 March 2020 %
Destination	6	26,366	634	87.3	91.1	92.3	93.3
Community	35	67,680	1,830	75.8	77.5	97.2	96.9
Neighbourhood	57	28,966	775	49.4	50.1	96.3	97.4
Total	98	123,012	3,239	68.7	70.3	96.1	96.5

Note:

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

Car Park Revenue Breakdown

	Six months ended 30 September 2020 <i>HK\$'M</i>	Six months ended 30 September 2019 <i>HK\$'M</i>	Year-on-year change %
Car parks rentals:			
Monthly	724	759	(4.6)
Hourly	207	229	(9.6)
Expenses recovery and other miscellaneous revenue	2	1	100.0
Total revenue	933	989	(5.7)

Property Operating Expenses Breakdown

	Six months ended 30 September 2020 <i>HK\$'M</i>	Six months ended 30 September 2019 <i>HK\$'M</i>	Year-on-year change %
Property managers' fees, security and cleaning	296	286	3.5
Staff costs	187	226	(17.3)
Repair and maintenance	82	98	(16.3)
Utilities	145	159	(8.8)
Government rent and rates	133	154	(13.6)
Promotion and marketing expenses	44	52	(15.4)
Estate common area costs	46	42	9.5
Other property operating expenses	86	90	(4.4)
Total property operating expenses	1,019	1,107	(7.9)

Mainland China Portfolio

Our five Mainland China properties are located across the four tier-one cities and represent 13.2% of our total portfolio by value. Together with lower occupancy and rental concessions following COVID-19, income loss due to asset enhancement of CentralWalk in Shenzhen and Renminbi depreciation compared with same period last year, total revenue of HK\$661 million and net property income of HK\$506 million recorded 9.7% and 12.5% year-on-year decrease, respectively.

The average reversion rate of our Mainland China retail portfolio remained positive at 8.1% during the period, yet the average occupancy rate of our four retail properties in Mainland China dropped to 94.7% as at 30 September 2020. Retail in Mainland China has been recovering gradually and there were no major issues in rental collection. Excluding CentralWalk which is undergoing asset enhancement, tenants' sales has recovered to around 90% of pre-COVID level. Occupancy of Link Square, our office property located in Shanghai, stood at 94.8% as at 30 September 2020 and office reversion rate was -7.7% during the period due to a surge in new office supply in Shanghai. We have successfully extended the lease of our leading anchor tenant by 10 years. We are also planning enhancement on the office property which will start in the coming financial year.

Lease Expiry Profile

(As at 30 September 2020)

	Retail		Office	
	% of total area %	% of monthly rent %	% of total area %	% of monthly rent %
2020/2021	9.8	13.1	4.3	4.9
2021/2022	16.1	23.3	29.8	31.2
2022/2023	23.3	28.1	27.6	30.2
2023/2024 and Beyond	45.5	35.5	33.1	33.7
Vacancy	5.3	—	5.2	—
Total	100.0	100.0	100.0	100.0

Overseas Portfolio

The first half of 2020/2021 began with Link's first expansion into the overseas markets further diversifying the portfolio with stable and quality income. We completed the acquisitions of two premium grade A offices – 100 Market Street in Sydney in April 2020 and The Cabot in London in August 2020. With full occupancy and high quality tenancy profile, 100 Market Street began to provide rental contribution in this financial period. The Cabot was acquired at a consideration of GBP368 million with an attractive entry yield of around 5.0% and a long weighted average lease expiry of over 10 years. Total contributions in terms of revenue and net property income of the two assets amounted to HK\$121 million and HK\$99 million, respectively.

Enhancement

We continued to extract value organically from assets across our portfolio. Two asset enhancement projects with a total capex of HK\$192 million were completed at Lok Fu Place (HK\$172 million) and Choi Yuen Plaza (HK\$20 million) in Hong Kong during the period, bringing the total number of completed projects since listing to 87. Impacted by the dampened leasing market, estimated returns on investment of the Lok Fu Place and Choi Yuen Plaza enhancement projects were 10.1% and 9.1%, respectively. Both projects focused on improving foot traffic circulation with new placemaking elements to enhance future footfall. We believe the newly-renovated environment with quality tenants and well executed placemaking will offer valuable long-term prospects for these assets.

As at 30 September 2020, we had four projects underway with estimated costs totalling HK\$535 million and more than 20 projects with estimated costs totalling >HK\$1 billion under planning. In August 2020, we started our first asset enhancement project in Mainland China at CentralWalk to unleash its potential as a “must-go” destination in Futian, Shenzhen. We continue to strategically evaluate asset enhancement potential within our portfolio. However, with the prevailing uncertainties in the market, we will be more flexible and prudent in planning and phasing our enhancement projects to maintain the stability of rental income while boosting asset performance.

Approved Asset Enhancement Projects Underway

	Estimated costs HK\$'M	Target completion date
Kai Tin Shopping Centre	153	Late 2020
Tai Wo Plaza	50	Early 2021
Hing Wah Shopping Centre	30	Mid 2021
CentralWalk, Shenzhen	302	Late 2021
Total	535	

Valuation Review

Colliers International (Hong Kong) Limited, the principal valuer of Link, valued Link's properties as at 30 September 2020 using the income capitalisation approach with reference to market comparables via the direct comparison approach. As at the end of the reporting period, total value of investment properties rose 1.0% to HK\$195,112 million from HK\$193,224 million as at 31 March 2020.

The value of our Hong Kong retail properties and car parks declined 3.5% to HK\$123,012 million (31 March 2020: HK\$127,515 million) and 3.6% to HK\$30,588 million (31 March 2020: HK\$31,732 million), respectively. This decline in value was mainly due to a drop in market rent assumptions. The value of our Hong Kong office was valued at HK\$9,360 million as at 30 September 2020 (31 March 2020: HK\$9,914 million). Properties in Mainland China were valued at HK\$25,849 million (31 March 2020: HK\$25,317 million). The increase in valuation of HK\$532 million was due to an exchange gain on translation resulting from Renminbi appreciation compared with last year end. Excluding the translation difference, the value of our Mainland China properties recorded a decrease of 1.9% in Renminbi terms. Our newly acquired Australia and United Kingdom offices were valued at HK\$3,773 million and HK\$3,712 million, respectively.

Valuation

	Valuation		Capitalisation Rate	
	As at 30 September 2020 HK\$'M	As at 31 March 2020 HK\$'M	As at 30 September 2020	As at 31 March 2020
Hong Kong				
Retail properties	123,012	127,515	3.10% – 4.50%	3.10% – 4.50%
Car parks	30,588	31,732	3.10% – 5.30%	3.10% – 5.30%
Office property	9,360 ⁽¹⁾	9,914 ⁽¹⁾	3.00%	3.00%
	<u>162,960</u>	<u>169,161</u>		
Mainland China				
Retail properties	19,583	19,146	4.25% – 4.75%	4.25% – 4.75%
Office property	6,266	6,171	4.25%	4.25%
	<u>25,849</u>	<u>25,317</u>		
Australia				
Office property	3,773	–	4.50%	N/A
United Kingdom				
Office property	3,712	–	5.22%	N/A
Total valuation	<u><u>196,294</u></u>	<u><u>194,478</u></u>		
Total valuation of investment properties	<u><u>195,112⁽²⁾</u></u>	<u><u>193,224⁽²⁾</u></u>		

Notes:

⁽¹⁾ The amount represents the office portion only of The Quayside.

⁽²⁾ The amount has excluded two floors of The Quayside which Link has occupied for self-used office and was classified as property, plant and equipment.

Portfolio Management Strategy

With the addition of 100 Market Street in Sydney and The Cabot in London to our portfolio this period, we continue to focus on core assets, as well as core-plus assets in Mainland China and value-add opportunities through asset enhancements to continue our growth trajectory.

In terms of asset investment, we will continue to explore opportunities for stable, resilient growth in the medium to long term. Our target markets include Hong Kong, Mainland China tier-1 cities and their surrounding delta areas as well as selected developed overseas markets with long-term growth potential and strategic value. While travel restrictions in place pose difficulties for due diligence, we will remain prudent in assessing available opportunities.

While we have no immediate plans for divestment and development, we will continue to review the potential of our assets and identify suitable capital recycling opportunities with the aim of creating long-term sustainable returns for our stakeholders.

Capital Management

Interest Rate Environment

During the six months under review, global economies and markets continued to experience substantial fluctuations due to the outbreak of COVID-19 and worsening China-US relations. The US Federal Reserve cut the range of the federal funds target rate twice in March 2020 by a total of 1.5% down to 0% – 0.25%. Major central banks also announced substantial quantitative easing measures, injecting ample liquidity into the markets. Correspondingly, the 3-month USD LIBOR fell from 1.44% in April to 0.23% at the end of September 2020. HKD HIBOR followed a similar trend with 3-month HIBOR falling from 1.94% at the beginning of April, to 0.61% at the end of September 2020.

Liquidity and Cost of Borrowing

Liquidity, cash flow and financing needs are constantly monitored and reviewed to ensure sufficient coverage for operations and potential acquisitions. We started the financial year by shoring up liquidity in light of the challenging business environment. In April 2020, Link issued HK\$1.01 billion 5-year notes at 2.35% per annum. In May and June 2020, Link signed two 5-year sustainability-linked loans totalling HK\$2 billion.

These sustainability-linked loans were structured to incorporate a reduced pricing structure with interest cost savings if Link achieves sustainability milestones based on our performance in the GRESB Real Estate Assessment. The loans ensure the integration of sustainability best practices into Link's daily operations.

As at 30 September 2020, Link's undrawn committed facilities amounted to HK\$11.8 billion. Total cash and bank balances amounted to HK\$1.8 billion. The average borrowing cost of the Group's total debt for the six months ended 30 September 2020 was lowered by 68bp to 2.84%, compared to 3.52% for the same period in 2019. As at 30 September 2020, 55.9% of the Group's total debt was fixed rate debt with an average maturity of 4.6 years. The gearing ratio as at 30 September 2020 increased slightly to 17.7% (31 March 2020: 16.7%).

In October 2020, Link issued HK\$400 million of bonds at a record tenor of 18 years and at a coupon of only 2.18%.

Financing of Overseas Acquisitions

Link completed two overseas acquisitions in Australia and the United Kingdom during the six months ended 30 September 2020.

- In April 2020, we raised an AUD444 million 5-year term loan to fund our first acquisition in Australia, 100 Market Street.
- In August 2020, we arranged GBP370 million 5-year financing to fund our first acquisition in the United Kingdom, The Cabot.

Link attained very competitive all-in prices in its first tapping of the AUD and GBP loan markets. Link has also diversified its debt portfolio to match with the foreign currency exposure of the overseas assets.

Debt Profile Breakdown

(Face Value as at 30 September 2020)

Debt Mix by Types

	<i>HK\$ billion</i>	<i>%</i>
Convertible bonds	4.0	11.1%
Medium Term Notes	16.3	45.3%
Bank loans	15.7	43.6%
Total	36.0	100.0%

Debt Mix by Fixed/Floating Rates

(After interest rate swap)

	<i>HK\$ billion</i>	<i>%</i>
Fixed	20.1	55.9%
Floating	15.9	44.1%
Total	36.0	100.0%

Debt Mix by Years to Maturity

	<i>HK\$ billion</i>	<i>%</i>
Within 1 year	1.5	4.2%
After 1 but within 2 years	6.1	16.9%
After 2 but within 5 years	19.9	55.3%
Over 5 years	8.5	23.6%
Total	36.0	100.0%

Debt Mix by Currencies

(After currency swap)

	<i>HK\$ billion</i>	<i>%</i>
HKD	27.9	77.5%
RMB	0.8	2.2%
AUD	3.6	10.0%
GBP	3.7	10.3%
Total	36.0	100.0%

Distribution Reinvestment Scheme

Link reintroduced the distribution reinvestment scheme in June 2020 to provide eligible Unitholders with the option to reinvest. In respect of the final distribution of the year ended 31 March 2020, Link offered 3% discount on the unit price for scrip distributions, resulting in 10.5 million new units being issued at the discounted unit price of HK\$62.673. Cash distribution reinvested amounted to HK\$659.9 million.

Relevant Investments

Bond investments with a carrying value of HK\$2.7 billion were acquired in 2019, better utilising cash on hand. No new bonds were purchased during the six months under review.

As at 30 September 2020, the bond portfolio had an average maturity of 2.6 years and generated an average yield of 3.5% per annum. All the bond investments held are of investment grade. While Link will continue to monitor the credit quality of our bond investments, we intend to hold these bonds until their respective maturities.

Capital Return Programme

During the six months ended 30 September 2020, and under the unit buyback programme announced in June 2019, Link bought back 6 million units at an average unit price of approximately HK\$63.11 using a total of HK\$0.4 billion. The unit buyback will continue to be dependent on market conditions and regulatory considerations.

Foreign Exchange Management

Link has entered into foreign currencies forward contracts to fix our non-HK\$ denominated net income in HK\$ terms for the 2020/2021 financial year to ensure that the distributable income from non-HK properties is largely hedged against foreign currency fluctuations.

Credit Ratings

Despite the unprecedented challenges that commercial tenants and landlords have been facing since the pandemic outbreak, Link has maintained stable credit ratings. On 27 July 2020, Moody's reaffirmed Link's "A2/Stable" credit rating. Standard and Poor's and Fitch Ratings reaffirmed Link's rating at "A/Stable" on 1 August 2020 and 11 May 2020 respectively.

Distribution Policy

With solid financial position and ample liquidity, Link continued to distribute 100% of distributable income during the six months under review and remained committed to the discretionary distribution of HK14 cents per unit per annum until 2021/2022 financial year. Delivering sustainable returns for Unitholders remained one of our priorities despite the fragile global economy.

Debt Maturity Profile

(Face value as at 30 September 2020)

(HK\$ billion)	Medium Term Notes	Convertible bonds	HK\$ Bank loans	RMB Bank loans	AUD Bank loans	GBP Bank loans	Total
Within 1 year	0.2	–	1.3	–	–	–	1.5
After 1 but within 2 years	1.7	4.0	0.3	0.1	–	–	6.1
After 2 but within 5 years	6.3	–	6.0	0.3	3.6	3.7	19.9
Over 5 years	8.1	–	–	0.4	–	–	8.5
Total	16.3	4.0	7.6	0.8	3.6	3.7	36.0

Culture of Excellence

We have undertaken various efforts to support our employees and their families. We hope these initiatives strengthen their sense of belonging and demonstrate that Link cares about our most important asset – employees – during these trying times. As at 30 September 2020, we had 1,064 Linkers in Hong Kong and Mainland China. During this interim period, we introduced family care leave and examination/study leave as enhancements to our leave policy to support family care and personal growth. We provide our employees and their families complimentary access to a 24/7 employee assistance hotline to offer professional counselling support. A virtual Wellness Resources Centre was launched in June, giving our employees access to the latest tips on health and fitness. We also offer fresh fruits, special treat days and various workshops on parenting, health and fitness to our employees to ensure they achieve an appropriate work-life balance. In June, we held the first virtual townhall meeting where we engaged with our employees in Hong Kong and Mainland China through the live online event.

Workplace Agility and Experience

A positive workplace experience gives rise to an engaged and motivated workforce. The disruptions caused by COVID-19 led us to revamp our strategies, reinvent our protocols, elevate our workplace experience and to better support and empower our employees to adapt to the ever-evolving workplace ecosystem. Precautionary and protective measures such as flexible work arrangements and remote work technologies were in place to improve the flexibility and connectivity for all employees. Our efforts in creating a proactive and human-centric workplace have led to a more agile, responsive and collaborative workforce. We conducted an internal pulse check survey where over 95% of our employees confirmed that they were satisfied with the measures in place.

Advocate Self-directed Learning

Digitalisation has provided opportunities and resources for self-directed learning and development. Infusing augmented and virtual realities, our e-onboarding heightens new employees' experience and accelerates their assimilation into the organisation.

To promote Link's learning culture, our LinkEDGE digital learning platform is available to employees within the organisation regardless of geographic locations.

Skill, Re-Skill and Upskill

To ensure continuous skills enhancement, we organised a series of workshops for various departments on operational excellence, sharing insights on best practice, industry trends and stakeholder relationship management.

Individual coaching is provided to selected individuals to enhance and reinforce learning, with accessible bite-sized videos to ensure continuous learning.

Recognition for People Development and Excellence in Human Resources

Link won three bronze awards for its achievements in digital learning and internship development in the Asia-Pacific Stevie® Awards 2020 and one bronze award in the HR Distinction Awards 2020. This recognition provides motivation to further our commitment to build innovative employee-centric learning journey. We are constantly strengthening our value proposition to make employees feel proud and to build an attractive brand. We have become more active on social media through sharing stories of our engagement events and talent activities to provide further clarity on how we "Link People to a Brighter Future". Our dedication and efforts continued to garner industry recognition and Link was voted "Best Companies to Work for in Asia 2020" for the first time in our history.

Visionary Creativity

Solar Photovoltaic (PV) and Blockchain

Following our feasibility assessment including floor loading analysis, we identified 28 properties in our portfolio suitable for rooftop solar PV installations. This corresponds to an estimated, total installed capacity of 1.2 MWp, generating approximately 1.3 million kWh per year of electricity – equivalent to almost 300 average Hong Kong households' annual electricity consumption. During the first half of 2020/2021, 570 solar panels were installed at three properties – Lok Fu Place, TKO Spot and Tai Yuen Commercial Centre – and we target to complete solar PV installations at another 10 properties during the second half of 2020/2021.

A key innovative component of our solar PV initiative is a pilot implementation of blockchain technology to tokenise solar PV systems. This will allow us to accurately measure and report crucial ESG statistics including total amount of energy generated and tonnes of CO2 saved and to demonstrate how these savings can be allocated to projects or users to encourage better ESG awareness.

Green Building

Link has always been committed to managing a productive and sustainable portfolio. Participating in certification schemes challenges us to maintain global best practices in property management. During the first half of 2020/2021, we selected 50 properties in our portfolio to undergo BEAM Plus Existing Buildings V2.0 (Portfolio Selective Scheme – Management) assessment. This particular scheme focuses on how well we adhere to stringent building record management, adopt a comprehensive green procurement plan, manage a best-in-class preventive maintenance program, and communicate sustainability best practices to our building users. As at 30 September 2020, 20 properties – accounting for 34% of our Hong Kong retail and office gross floor area – have achieved “Good” rating under the BEAM Plus scheme. We will continue to strengthen our portfolio management practices and seize opportunities where we can enhance building-specific environmental performance.

Waste Management

Although the implementation of Hong Kong's Municipal Waste Charging Scheme has been delayed indefinitely, we believe that the business sector needs to take proactive steps to reduce waste. As a retail-focused landlord with a portfolio of shopping centres and fresh markets, we will leverage our platform to align our tenants, business partners, local NGOs and communities to jointly develop waste management initiatives. We work with like-minded NGOs to reduce organic waste in our fresh markets and have delivered over 600 tonnes of organic waste – equivalent to approximately 40 double-decker buses – to the O·PARK1 (Hong Kong's first organic resources recovery centre) in the past six months.

We also closely engage with local organisations to support plastic reduction initiatives. Since June 2019, we have partnered with Watsons Water on plastic bottle recycling and installed reverse vending machines (RVM) at seven of our properties under the pilot scheme. As at 30 September 2020, approximately 300,000 plastic bottles were collected and recycled. To further promote and facilitate recycling in the community, we target the expansion of the RVM network to further locations. During the period under review, we invited our tenants to trial the use of cassava bags as an alternative to ordinary plastic bags. The pilot was completed in August 2020 and the findings were shared with the cassava bag supplier for further product refinement.

COVID-19 Measures

Health and well-being of tenants, customers and staff continue to be our top priorities. Since the early onset of COVID-19, we have continuously stepped up our efforts to protect our communities by establishing pandemic action plans for our assets. The action plans provide clear and detailed guidelines for how to swiftly react and respond in the event of an outbreak. This is exemplified by our prompt action to close the Tsz Wan Shan Shopping Centre temporarily for sanitation from 17 to 18 July 2020 soon after several COVID-19 cases had been confirmed in the community. Disinfectant fogging was conducted across the whole property, and a free disinfection service was offered to more than 40 tenants upon request. We also carried out additional cleaning and disinfection measures such as applying disinfectant coatings to frequently used areas, as well as expediting the disinfection of air filters in the public air conditioning system. For fresh markets in the district, we enhanced access control by designating entrances and checking visitors' temperatures. Our agile responses helped tenants resume business as early as possible and restored customer confidence. We believe that valuable public resources should be directed at companies and their employees with the most urgent needs in the face of challenges exerted by COVID-19. Consequently, we decided not to participate in the Hong Kong Special Administrative Region Government's Employment Support Scheme, instead choosing to support employees with our own resources. Moreover, no full-time employees were laid off as a result of the pandemic.

Link Together Initiatives

We continued to engage the community through Link Together Initiatives, our flagship charity and community engagement programme. Established in 2013, Link Together Initiatives aim to advance sustainable development in the communities served by Link. Each year, Link contributes an amount of up to 0.25% of our net property income from the previous financial year to support charitable organisations with causes related to youth empowerment, active ageing and resource management.

We have maintained a similar level of funding to that of the prior year with HK\$13.7 million earmarked for seven projects and the Link University Scholarship. In 2020/2021 financial year, we will continue to fund 190 scholarships totalling HK\$3.8 million to the first university students in three generations of their families.

In addition to providing monetary support, Link seeks to nurture an ecosystem which creates shared value with our stakeholders and which encourages staff, Link Scholar Alumni, business partners, tenants and vendors to engage with partner NGOs. In September 2020, we organised the first NGO collaboration workshop for our NGO partners, creating a platform for them to build synergy and amplifying their positive impact on the community.

OUTLOOK

The COVID-19 measures implemented in Hong Kong and Mainland China have shown to be effective so far. The relaxation of some pandemic control measures has led to signs of gradual economic recovery, particularly in Mainland China. Globally, current indicators suggest economic recovery starting later, in the second half of 2020/2021, aided by the much anticipated development of a vaccine. While we are cautiously optimistic, we remain wary of further development of the COVID-19 pandemic and potential resumption of social distancing restrictions. We will continue to work closely with our tenants and business partners to ensure and maintain a high level of alignment and coordination of efforts to overcome this health crisis.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Six months ended 30 September 2020 (Unaudited) HK\$'M	Six months ended 30 September 2019 (Unaudited) HK\$'M
Revenue	4	5,233	5,332
Property operating expenses	6	<u>(1,196)</u>	<u>(1,261)</u>
Net property income		4,037	4,071
General and administrative expenses		(220)	(201)
Change in fair values of investment properties and impairment of goodwill	12 & 13	(7,275)	3,662
Interest income		71	95
Finance costs	7	<u>(405)</u>	<u>(233)</u>
(Loss)/profit before taxation and transactions with Unitholders	8	(3,792)	7,394
Taxation	10	<u>(533)</u>	<u>(677)</u>
(Loss)/profit for the period, before transactions with Unitholders		(4,325)	6,717
Distributions paid to Unitholders		<u>(2,999)</u>	<u>(2,964)</u>
		<u>(7,324)</u>	<u>3,753</u>
Represented by:			
Change in net assets attributable to Unitholders, excluding issues of new units and units bought back		(6,139)	2,278
Amount arising from exchange reserve and cash flow hedging reserve movements	25	(953)	1,500
Non-controlling interest		<u>(232)</u>	<u>(25)</u>
		<u>(7,324)</u>	<u>3,753</u>
(Loss)/profit for the period, before transactions with Unitholders attributable to			
– Unitholders (Note)	11	(4,093)	6,742
– Non-controlling interest		<u>(232)</u>	<u>(25)</u>
		<u>(4,325)</u>	<u>6,717</u>

Note: (Loss)/earnings per unit, based upon (loss)/profit for the period, 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 2020

	Before transactions with Unitholders (Unaudited) HK\$'M	Transactions with Unitholders (Note (i)) (Unaudited) HK\$'M	After transactions with Unitholders (Note (ii)) (Unaudited) HK\$'M	Non- controlling interest (Unaudited) HK\$'M	Total (Unaudited) HK\$'M
Six months ended 30 September 2020					
Loss for the period	(4,093)	3,140	(953)	(232)	(1,185)
Other comprehensive income Items that may be reclassified subsequently to the condensed consolidated income statement					
– Cash flow hedging reserve	(57)	–	(57)	–	(57)
– Exchange reserve	1,010	–	1,010	–	1,010
Total comprehensive loss for the period	(3,140)	3,140	–	(232)	(232)
Six months ended 30 September 2019					
Profit for the period	6,742	(5,242)	1,500	(25)	1,475
Other comprehensive income Items that may be reclassified subsequently to the condensed consolidated income statement					
– Cash flow hedging reserve	(7)	–	(7)	–	(7)
– Exchange reserve	(1,493)	–	(1,493)	–	(1,493)
Total comprehensive income for the period	5,242	(5,242)	–	(25)	(25)

Notes:

- (i) Transactions with Unitholders comprise the distributions to Unitholders of HK\$2,999 million (2019: HK\$2,964 million) and change in net assets attributable to Unitholders, excluding issues of new units and units bought back, which is a decrease of HK\$6,139 million (2019: an increase of HK\$2,278 million).
- (ii) In accordance with the Trust Deed, the units of Link contain contractual obligations to pay to its Unitholders cash distributions and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of the trust less any liabilities, in accordance with their proportionate interests in the trust at the date of the termination. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with Hong Kong Accounting Standard 32: Financial Instruments: Presentation. Consistent with Unitholders' funds being classified as a financial liability, the distributions to Unitholders and change in net assets attributable to Unitholders, excluding issues of new units and units bought back, are finance costs. Accordingly, the total comprehensive income attributable to Unitholders, after the transactions with Unitholders, is zero.

CONSOLIDATED STATEMENT OF DISTRIBUTIONS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		Six months ended 30 September 2020 (Unaudited) HK\$'M	Six months ended 30 September 2019 (Unaudited) HK\$'M
(Loss)/profit for the period, before transactions with Unitholders attributable to Unitholders		(4,093)	6,742
Adjustments:			
– Change in fair values of investment properties and impairment of goodwill attributable to Unitholders		7,048	(3,644)
– Deferred taxation on change in fair values of investment properties attributable to Unitholders		(61)	65
– Change in fair values of derivative component of convertible bonds		–	(58)
– Change in fair values of financial instruments		(70)	(225)
– Depreciation and amortisation of real estate and related assets		28	13
– Other non-cash income		(75)	(72)
Discretionary distribution (<i>Note (i)</i>)		144	145
Total Distributable Amount (<i>Note (i)</i>)		<u>2,921</u>	<u>2,966</u>
Interim distribution for the period, to be paid to the Unitholders (<i>Note (ii)</i>)		<u>2,921</u>	<u>2,966</u>
Units in issue at 30 September	24	<u>2,062,427,353</u>	<u>2,096,767,886</u>
Distribution per unit for the period (<i>Note (ii)</i>)		<u>HK141.65 cents</u>	<u>HK141.47 cents</u>

Notes:

- (i) Under the terms of the Trust Deed, Link is required to distribute to Unitholders no less than 90% of its distributable income for each financial year. Distributable income, according to the Trust Deed, is the Group's consolidated profit after taxation attributable to Unitholders, as adjusted to eliminate the effect of certain non-cash adjustments which have been recorded in the consolidated income statement for the relevant year. For the six months ended 30 September 2020, the Manager has decided to distribute 100% (2019: 100%) of its distributable income to Unitholders. In addition, the Manager recommended a capital return in the form of a discretionary distribution of HK\$144 million (2019: HK\$145 million). Together with the discretionary distribution, Total Distributable Amount represented 105% (2019: 105%) of the distributable income of the Group for the six months ended 30 September 2020.
- (ii) The interim distribution per unit of HK141.65 cents (2019: HK141.47 cents) for the six months ended 30 September 2020 is calculated based on the interim distribution of HK\$2,921 million (2019: HK\$2,966 million) for the period and 2,062,427,353 units (2019: 2,096,767,886 units) in issue as at 30 September 2020, 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 28 December 2020.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Assets			
Goodwill	12	386	424
Investment properties	13	195,112	193,224
Property, plant and equipment	14	1,357	1,389
Financial assets at amortised cost	15	2,739	2,746
Deposits and prepayments		145	497
Derivative financial instruments	22	305	231
Trade and other receivables	16	1,328	1,231
Cash and cash equivalents	17	1,814	7,877
Total assets		203,186	207,619
Liabilities, excluding net assets attributable to Unitholders			
Deferred tax liabilities		2,937	2,871
Long-term incentive schemes provision	18	45	136
Other liabilities	19	4,911	5,017
Interest bearing liabilities	20	32,121	30,688
Convertible bonds	21	3,908	3,910
Security deposits		1,789	1,782
Derivative financial instruments	22	168	88
Provision for taxation		584	370
Trade payables, receipts in advance and accruals	23	2,696	2,640
Total liabilities, excluding net assets attributable to Unitholders		49,159	47,502
Non-controlling interest		174	406
Net assets attributable to Unitholders		153,853	159,711
Units in issue	24	2,062,427,353	2,057,898,386
Net assets per unit attributable to Unitholders		HK\$74.60	HK\$77.61

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Net assets attributable to Unitholders (Unaudited) HK\$'M	Total reserves (Unaudited) HK\$'M	Non- controlling interest (Unaudited) HK\$'M
At 1 April 2020		159,711	580	406
Issuance of units under distribution reinvestment scheme		660	-	-
Units bought back for cancellation		(379)	-	-
Loss for the six months ended 30 September 2020, before transactions with Unitholders		(4,093)	-	(232)
Distributions paid to Unitholders – 2020 final distribution		(2,999)	-	-
Change in fair values of cash flow hedges	25	-	(69)	-
Amount transferred to the condensed consolidated income statement	25	-	12	-
Foreign currency translations	25	-	1,010	-
Amount arising from exchange reserve and cash flow hedging reserve movements	25	953	(953)	-
Change in net assets attributable to Unitholders and non-controlling interest for the six months ended 30 September 2020, excluding issues of new units and units bought back		(6,139)	-	(232)
At 30 September 2020		153,853	580	174
At 1 April 2019		188,739	580	587
Issuance of units under the 2007 LTI plan		47	-	-
Units bought back for cancellation		(1,138)	-	-
Profit for the six months ended 30 September 2019, before transactions with Unitholders		6,742	-	(25)
Distributions paid to Unitholders – 2019 final distribution		(2,964)	-	-
Change in fair values of cash flow hedges		-	28	-
Amount transferred to the condensed consolidated income statement		-	(35)	-
Foreign currency translations		-	(1,493)	-
Amount arising from exchange reserve and cash flow hedging reserve movements		(1,500)	1,500	-
Change in net assets attributable to Unitholders and non-controlling interest for the six months ended 30 September 2019, excluding issues of new units and units bought back		2,278	-	(25)
At 30 September 2019		189,926	580	562

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Six months ended 30 September 2020 (Unaudited) HK\$'M	Six months ended 30 September 2019 (Unaudited) HK\$'M
Operating activities			
Net cash generated from operating activities		3,167	3,318
Investing activities			
Acquisition of assets	26	(6,729)	–
Payment of consideration payables of businesses acquisition		–	(38)
Additions to investment properties		(416)	(615)
Additions to property, plant and equipment		(20)	(193)
Purchase of financial assets at amortised cost		–	(2,006)
Interest income received		79	50
Decrease in bank deposits with original maturity of more than three months		–	395
Net cash used in investing activities		(7,086)	(2,407)
Financing activities			
Proceeds from interest bearing liabilities, net of transaction costs		13,325	7,919
Repayment of interest bearing liabilities		(12,345)	(8,523)
Proceeds from convertible bonds, net of transaction costs		–	3,974
Increase in amount due to non-controlling interest		14	95
Interest expenses paid		(502)	(320)
Payment of lease liabilities		(2)	–
Distributions paid to Unitholders		(2,339)	(2,964)
Units bought back for cancellation		(379)	(1,138)
Net cash used in financing activities		(2,228)	(957)
Net decrease in cash and cash equivalents		(6,147)	(46)
Cash and cash equivalents at 1 April		7,877	2,694
Effect on exchange rate changes on cash and cash equivalents		84	(95)
Cash and cash equivalents at 30 September		1,814	2,553

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Corporate information

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 14 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, 25 July 2018, 1 April 2020 and 22 July 2020).

The principal activity of the Group is investing in real estate and may undertake property development and related activities. The addresses of the registered offices of the Manager, Link Asset Management Limited, and the Trustee, HSBC Institutional Trust Services (Asia) Limited, are 20/F., Tower 1, The Quayside, 77 Hoi Bun Road, 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 2020 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 2020.

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 2020, except for the adoption of the following new standards and amendments issued by the HKICPA which became effective or available for early adoption for the six months ended 30 September 2020.

HKAS 1 and HKAS 8 Amendments	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 Amendments	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

The following new standards and amendments, which have been published but are not yet effective, have not been early adopted in the condensed consolidated interim financial information. These are effective for the Group's accounting periods beginning on or after 1 April 2021.

HKAS 1 Amendments	Classification of Liabilities as Current or Non-current ⁽⁴⁾
HKFRS 3, HKAS 16 and HKAS 37 Amendments	Narrow – Scope Amendments ⁽³⁾
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS16 Amendments	Interest Rate Benchmark Reform – Phase 2 ⁽²⁾
HKFRS 10 and HKAS 28 (2011) Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁵⁾
HKFRS 16 Amendments	COVID-19 Related Rent Concessions ⁽¹⁾
HKFRS 17	Insurance Contracts ⁽⁴⁾
Annual Improvements 2018-2020 Cycle ⁽³⁾	

⁽¹⁾ effective for accounting periods beginning on or after 1 June 2020

⁽²⁾ effective for accounting periods beginning on or after 1 January 2021

⁽³⁾ effective for accounting periods beginning on or after 1 January 2022

⁽⁴⁾ effective for accounting periods beginning on or after 1 January 2023

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

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.

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

4 Revenue

Revenue recognised during the period comprises:

	Six months ended 30 September 2020 (Unaudited) HK\$'M	Six months ended 30 September 2019 (Unaudited) HK\$'M
Rentals		
– Hong Kong retail properties	3,239	3,390
– Hong Kong car parks	931	988
– Mainland China retail properties	479	541
– Others (<i>Note</i>)	393	185
	<u>5,042</u>	<u>5,104</u>
Other revenue		
– Air conditioning service fees	139	188
– Other property related revenue	52	40
	<u>191</u>	<u>228</u>
Total revenue	<u>5,233</u>	<u>5,332</u>

Note: Others include rentals from commercial properties in Hong Kong, Mainland China and overseas.

Leases with tenants provide for monthly base rent and recovery of certain outgoings. Additional rents based on business turnover amounted to HK\$39 million (2019: HK\$63 million) and have been included in the rental income.

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

5 Segment information

	Hong Kong retail properties <i>HK\$'M</i>	Hong Kong car parks <i>HK\$'M</i>	Mainland China retail properties <i>HK\$'M</i>	Others <i>HK\$'M</i>	Total <i>HK\$'M</i>
For the six months ended 30 September 2020 (Unaudited)					
Revenue	<u>3,390</u>	<u>933</u>	<u>497</u>	<u>413</u>	<u>5,233</u>
Segment results	2,623	715	361	118	3,817
Change in fair values of investment properties and impairment of goodwill	(4,826)	(1,177)	(406)	(866)	(7,275)
Interest income					71
Finance costs					<u>(405)</u>
Loss before taxation and transactions with Unitholders					<u>(3,792)</u>
Taxation					<u>(533)</u>
Loss for the period, before transactions with Unitholders					<u><u>(4,325)</u></u>
Capital expenditure	324	33	16	7,274	7,647
Depreciation	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(45)</u>	<u>(46)</u>

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

5 Segment information (Continued)

	Hong Kong retail properties <i>HK\$'M</i>	Hong Kong car parks <i>HK\$'M</i>	Mainland China retail properties <i>HK\$'M</i>	Others <i>HK\$'M</i>	Total <i>HK\$'M</i>
As at 30 September 2020 (Unaudited)					
Segment assets	123,876	30,636	19,922	23,508	197,942
Goodwill					386
Financial assets at amortised cost					2,739
Derivative financial instruments					305
Cash and cash equivalents					1,814
					<hr/>
Total assets					203,186
					<hr/>
Segment liabilities	2,433	161	692	1,199	4,485
Deferred tax liabilities					2,937
Long-term incentive scheme provision					45
Other liabilities					4,911
Interest bearing liabilities					32,121
Convertible bonds					3,908
Derivative financial instruments					168
Provision for taxation					584
					<hr/>
Total liabilities, excluding net assets attributable to Unitholders					49,159
					<hr/>
Non-controlling interest					174
					<hr/>
Net assets attributable to Unitholders					153,853
					<hr/> <hr/>

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

5 Segment information (Continued)

For the six months ended 30 September 2020, revenue of HK\$661 million (2019: HK\$732 million) is attributable to external customers from Mainland China, HK\$4,451 million (2019: HK\$4,600 million) is attributable to external customers from Hong Kong, and HK\$121 million (2019: Nil) is attributable to external customers from overseas.

As at 30 September 2020, investment properties, property, plant and equipment, and goodwill amounting to HK\$25,969 million (31 March 2020: HK\$25,474 million) is located in Mainland China, HK\$163,401 million (31 March 2020: HK\$169,563 million) is located in Hong Kong, and HK\$7,485 million (31 March 2020: Nil) is located in overseas.

	Hong Kong retail properties <i>HK\$'M</i>	Hong Kong car parks <i>HK\$'M</i>	Mainland China retail properties <i>HK\$'M</i>	Others <i>HK\$'M</i>	Total <i>HK\$'M</i>
For the six months ended 30 September 2019 (Unaudited)					
Revenue	<u>3,586</u>	<u>989</u>	<u>558</u>	<u>199</u>	<u>5,332</u>
Segment results	2,736	763	426	(55)	3,870
Change in fair values of investment properties	1,729	1,739	196	(2)	3,662
Interest income					95
Finance costs					<u>(233)</u>
Profit before taxation and transactions with Unitholders					7,394
Taxation					<u>(677)</u>
Profit for the period, before transactions with Unitholders					<u>6,717</u>
Capital expenditure	534	176	13	454	1,177
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28)</u>	<u>(28)</u>

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

5 Segment information (Continued)

	Hong Kong retail properties <i>HK\$'M</i>	Hong Kong car parks <i>HK\$'M</i>	Mainland China retail properties <i>HK\$'M</i>	Others <i>HK\$'M</i>	Total <i>HK\$'M</i>
As at 31 March 2020 (Audited)					
Segment assets	128,337	31,801	19,475	16,728	196,341
Goodwill					424
Financial assets at amortised cost					2,746
Derivative financial instruments					231
Cash and cash equivalents					7,877
Total assets					207,619
Segment liabilities	2,334	142	695	1,251	4,422
Deferred tax liabilities					2,871
Long-term incentive schemes provision					136
Other liabilities					5,017
Interest bearing liabilities					30,688
Convertible bonds					3,910
Derivative financial instruments					88
Provision for taxation					370
Total liabilities, excluding net assets attributable to Unitholders					47,502
Non-controlling interest					406
Net assets attributable to Unitholders					159,711

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

6 Property operating expenses

	Six months ended 30 September 2020 (Unaudited) HK\$'M	Six months ended 30 September 2019 (Unaudited) HK\$'M
Property managers' fees, security and cleaning	325	306
Staff costs	222	264
Repair and maintenance	96	106
Utilities	162	176
Government rent and rates	133	154
Promotion and marketing expenses	50	60
Estate common area costs	47	43
Real estate taxes and land use taxes	45	49
Other property operating expenses	116	103
	<hr/> 1,196 <hr/> <hr/>	<hr/> 1,261 <hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

7 Finance costs

	Six months ended 30 September 2020 (Unaudited) HK\$'M	Six months ended 30 September 2019 (Unaudited) HK\$'M
Interest expenses on interest bearing liabilities	392	398
Interest expenses on convertible bonds (<i>Note 21</i>)	62	63
Other borrowing costs (<i>Note (i)</i>)	109	32
	563	493
Less: capitalised under investment properties (<i>Note (ii)</i>)	(8)	(42)
	555	451
Change in fair values of derivative component of convertible bonds (<i>Note 21</i>)	–	(58)
Fair value gain on non-controlling interest put option obligation (<i>Note 19</i>)	(150)	(160)
	405	233

Notes:

- (i) Other borrowing costs mainly include HK\$50 million (2019: HK\$55 million) interest expenses to non-controlling interest, HK\$12 million net losses (2019: HK\$35 million net gains) on interest rate swap contracts designated as cash flow hedges, HK\$11 million net gains (2019: HK\$3 million net losses) 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 interest rate of 2.9% (2019: 3.3%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

8 (Loss)/profit before taxation and transactions with Unitholders

(Loss)/profit before taxation and transactions with Unitholders for the period is stated after charging/(crediting):

	Six months ended 30 September 2020 (Unaudited) HK\$'M	Six months ended 30 September 2019 (Unaudited) HK\$'M
Staff costs (<i>Note 9</i>)	329	400
Depreciation of property, plant and equipment	46	28
Trustee's fee	7	12
Valuation fee	1	1
Auditor's remuneration		
Audit and audit-related assurance services	1	2
Acquisition related professional fees	3	–
Professional fees capitalised under investment properties	(3)	–
Bank charges	5	3
Commission to property agents	7	4
Donations	14	14
Exchange loss/(gain)	31	(56)
Short-term lease expenses	1	12
Other legal and professional fees	(2)	6
	<u> </u>	<u> </u>

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

9 Staff costs

	Six months ended 30 September 2020 (Unaudited) HK\$'M	Six months ended 30 September 2019 (Unaudited) HK\$'M
Wages and salaries	383	359
Contributions to mandatory provident fund scheme (<i>Note</i>)	7	7
Long-term incentive schemes awards	(23)	70
	367	436
Less: capitalised under investment properties	(38)	(36)
Staff costs (<i>Note 8</i>)	329	400

Note: The Group operates a pension scheme – Mandatory Provident Fund. The scheme is a defined contribution plan funded through payments to trustee-administered funds. A defined contribution plan is a pension plan under which the employer pays fixed contributions into a separate entity (a fund). The Group has no further payment obligations once the contributions have been paid.

**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% (2019: 16.5%) on the estimated assessable profit for the period. Income taxes in Mainland China and overseas have 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:

	Six months ended 30 September 2020 (Unaudited) HK\$'M	Six months ended 30 September 2019 (Unaudited) HK\$'M
Current taxation		
– Hong Kong	385	413
– Mainland China	84	88
– Overseas	10	–
Deferred taxation	54	176
Taxation	533	677

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

11 (Loss)/earnings per unit based upon (loss)/profit for the period, before transactions with Unitholders attributable to Unitholders

	Six months ended 30 September 2020 (Unaudited)	Six months ended 30 September 2019 (Unaudited)
(Loss)/profit for the period, before transactions with Unitholders attributable to Unitholders for calculating basic (loss)/earnings per unit	(HK\$4,093 million)	HK\$6,742 million
Adjustment for dilutive convertible bonds	—	(HK\$5 million)
(Loss)/profit for the period, before transaction with Unitholders attributable to Unitholders for calculating diluted (loss)/earnings per unit	<u>(HK\$4,093 million)</u>	<u>HK\$6,737 million</u>
Weighted average number of units for the period for calculating basic (loss)/earnings per unit	2,061,326,280	2,108,821,279
Adjustment for dilutive contingently issuable units under long-term incentive schemes and dilutive convertible bonds	—	36,566,414
Weighted average number of units for the period for calculating diluted (loss)/earnings per unit	<u>2,061,326,280</u>	<u>2,145,387,693</u>
Basic (loss)/earnings per unit	<u>(HK\$1.99)</u>	<u>HK\$3.20</u>
Diluted (loss)/earnings per unit	<u>(HK\$1.99)</u>	<u>HK\$3.14</u>

The convertible bonds have an anti-dilutive effect on the basic loss per unit for the six months ended 30 September 2020, thus the diluted loss per unit is equivalent to the basic loss per unit.

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

12 Goodwill

	Carrying value (Unaudited) HK\$'M
At 1 April 2020	424
Exchange adjustments	8
Impairment	(46)
	<hr/>
At 30 September 2020	386
	<hr/> <hr/>

During the six months ended 30 September 2020, impairment losses of HK\$46 million on goodwill were charged to the condensed consolidated income statement resulting from changes in the market environment for the underlying businesses.

13 Investment properties

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

	Fair value (Unaudited) HK\$'M
At 1 April 2020	193,224
Exchange adjustments (<i>Note (e)</i>)	1,484
Acquisition of assets (<i>Note 26</i>)	7,253
Additions	380
Change in fair values	(7,229)
	<hr/>
At 30 September 2020	195,112
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

13 Investment properties (Continued)

(b) Valuation process

The investment properties were revalued on a market value basis as at 31 March and 30 September 2020 by Colliers International (Hong Kong) Limited (the **Principal Valuer**), 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.

(c) Valuation techniques

The investment properties were appraised by the Principal Valuer, using the income capitalisation approach as its primary approach with cross-referencing to the direct comparison approach.

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 investment properties are included in Level 3 (31 March 2020: 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, Beijing Jingtong Roosevelt Plaza in Beijing, CentralWalk in Shenzhen, 100 Market Street in Sydney and The Cabot Square in London, the completions of which were on 23 February 2015, 23 January 2019, 14 March 2019, 7 April 2020 and 25 August 2020 respectively, while the commercial development at 77 Hoi Bun Road, now known as The Quayside, was completed in May 2019. 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 net exchange gain on translation is attributable to the exchange gains on the Group's investment properties in Mainland China and Australia amounting to HK\$1,030 million and HK\$536 million respectively and exchange loss on the Group's investment properties in United Kingdom amounting to HK\$82 million. These amounts are included in exchange reserve, which are partly hedged by financial instruments.

(f) Security for the Group's loan facilities

As at 30 September 2020, certain of the Group's investment properties in Mainland China and Australia, amounting to approximately HK\$2,888 million (31 March 2020: HK\$10,026 million) and HK\$3,773 million (31 March 2020: Nil) respectively, were pledged to secure Group's loan facilities totalled HK\$3,235 million (31 March 2020: HK\$2,177 million).

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

14 Property, plant and equipment

	Land, building and leasehold improvements (Unaudited) <i>HK\$'M</i>	Right-of-use assets (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 2020	1,254	7	2	126	1,389
Additions	4	-	-	10	14
Depreciation charge for the period	(27)	(3)	-	(16)	(46)
At 30 September 2020	1,231	4	2	120	1,357
At 30 September 2020					
Cost	1,320	9	7	221	1,557
Accumulated depreciation	(89)	(5)	(5)	(101)	(200)
Net book value	1,231	4	2	120	1,357

15 Financial assets at amortised cost

Financial assets at amortised cost include the following debt investments:

	30 September 2020 (Unaudited) <i>HK\$'M</i>	31 March 2020 (Audited) <i>HK\$'M</i>
Listed corporate bonds	2,709	2,716
Unlisted corporate bonds	30	30
	2,739	2,746

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

15 Financial assets at amortised cost (Continued)

During the period, the Group has interest income arising from financial assets at amortised cost amounting to HK\$47 million (2019: HK\$23 million). The carrying amounts of the financial assets at amortised cost are expected to be recovered as below:

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Within one year	265	–
After one year	2,474	2,746
	<u>2,739</u>	<u>2,746</u>

16 Trade and other receivables

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Trade receivables	281	270
Less: provision for impairment of trade receivables	(88)	(60)
Trade receivables – net	193	210
Other receivables	1,135	1,021
	<u>1,328</u>	<u>1,231</u>

The carrying amounts of these receivables approximate their fair values and are expected to be mostly recovered within one year.

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

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

16 Trade and other receivables (Continued)

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

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
0–30 days	169	187
31–90 days	55	66
Over 90 days	57	17
	<u>281</u>	<u>270</u>

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.

17 Cash and cash equivalents

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Cash at bank	1,469	6,317
Bank deposits with original maturity of less than three months	345	1,560
	<u>1,814</u>	<u>7,877</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

18 Long-term incentive schemes provision

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Long-term incentive schemes provision		
– expected to be settled within one year	28	81
– expected to be settled after one year	17	55
	45	136

On 10 July 2017, Link adopted a 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 the 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 total Unitholders return, net property income 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.

During the period, the Group purchased 515,483 units (2019: 366,239 units) from the market for restricted units awards which have vested in accordance with the 2017 LTI Scheme.

During the vesting period, a liability is recognised representing the estimated value of the awards granted under 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

18 Long-term incentive schemes provision (Continued)

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

Date of grant	Vesting period	Outstanding as at 1 April 2020	Granted during the period	Vested during the period ⁽ⁱ⁾	Cancelled during the period	Lapsed during the period	Outstanding as at 30 September 2020	Maximum to be vested on vesting date ⁽ⁱⁱⁱ⁾
2017 LTI Scheme								
14 July 2017	14 July 2017 to 30 June 2020	305,311	-	(296,010)	(7,000)	(2,301)	-	-
4 July 2018	4 July 2018 to 30 June 2020	445,188	-	(35,250)	(6,500)	(403,438)	-	-
	4 July 2018 to 30 June 2021	443,121	-	-	-	(1,250)	441,871	982,050
5 July 2019	5 July 2019 to 30 June 2021	496,683	-	-	-	(779)	495,904	1,121,921
	5 July 2019 to 30 June 2022	496,682	-	-	-	(779)	495,903	1,121,920
29 July 2020	29 July 2020 to 30 June 2022	-	822,548	-	-	-	822,548	822,548
	29 July 2020 to 30 June 2023	-	822,548	-	-	-	822,548	822,548
Subtotal		2,186,985	1,645,096	(331,260)	(13,500)	(408,547)	3,078,774	4,870,987
Additional units vested over 100% of restricted unit award granted		-	-	(184,223) ⁽ⁱⁱⁱ⁾	-	-	-	-
Total		2,186,985	1,645,096	(515,483)	(13,500)	(408,547)	3,078,774	4,870,987

Notes:

(i) Restricted unit award vesting percentages during the period ranged from 0% 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 Other liabilities

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Amount due to non-controlling interest	3,792	3,777
Non-controlling interest put option obligation	380	530
Retention amount for acquisition of a business	739	710
	4,911	5,017

Notes:

- (i) On 23 February 2015, the Group through a non-wholly owned subsidiary (the Project Company, in which Link has an indirect 60% interest and Nan Fung Development Limited (**Nan Fung**) has an indirect 40% interest) acquired 77 Hoi Bun Road in Kowloon East for commercial development. For the purpose of funding the commercial development, Nan Fung, a non-controlling interest of the Project Company has contributed cash in proportion to the shareholding ratio to the Project Company. The amount due to non-controlling interest is unsecured, interest bearing at an effective interest rate of 2.9% (31 March 2020: 3.3%), has no fixed repayment term and is not repayable within one year. Such amount due to non-controlling interest including any accrued interest will be repaid from the Project Company's surplus cash after meeting its payment obligations.
- (ii) Pursuant to the shareholders' agreement, Nan Fung has a right to exercise a put option to require Link to purchase all the issued shares Nan Fung holds in the Project Company at the then fair market value, after the second anniversary of the completion of the commercial property development and certain conditions have been satisfied. The non-controlling interest put option obligation was recognised as a financial liability based on a valuation performed by Crowe Horwath 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 2020: Level 3) of the fair value hierarchy. If the estimated fair value of the equity interests of the Project Company at the time of exercise is higher, the fair value of the put option obligation would also be higher. If the expected time of exercise is later or if the discount rate is higher, then the fair value of the put option obligation would be lower.
- (iii) Pursuant to the Framework Agreement dated 20 February 2019 in relation to the acquisition of the entire equity interest of 保怡物業管理(深圳)有限公司 (Baoyi Property Management (Shenzhen) Company Limited), a retention amount of RMB650 million (equivalent to approximately HK\$739 million) shall be retained by the Group, and shall be paid by the Group to the seller on or before the second anniversary of the transaction completion date.

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

19 Other liabilities (Continued)

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

	Fair value (Unaudited) HK\$'M
At 1 April 2020	530
Recognised in the condensed consolidated income statement:	
– Fair value gain (<i>Note 7</i>)	(150)
At 30 September 2020	380

20 Interest bearing liabilities

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Unsecured bank borrowings	12,396	12,737
Secured bank borrowings	3,235	2,177
Medium term notes	16,490	15,774
	32,121	30,688

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

20 Interest bearing liabilities (Continued)

The carrying amount of interest bearing liabilities are expected to be settled below:

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Due in the first year		
Unsecured bank borrowings	1,266	499
Secured bank borrowings	48	88
Medium term notes	203	350
	<u>1,517</u>	<u>937</u>
Due in the second year		
Unsecured bank borrowings	298	3,962
Secured bank borrowings	64	114
Medium term notes	1,767	1,439
	<u>2,129</u>	<u>5,515</u>
Due in the third year		
Unsecured bank borrowings	6,698	298
Secured bank borrowings	80	141
Medium term notes	699	1,227
	<u>7,477</u>	<u>1,666</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

20 Interest bearing liabilities (Continued)

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Due in the fourth year		
Unsecured bank borrowings	–	6,975
Secured bank borrowings	86	158
Medium term notes	<u>4,714</u>	<u>–</u>
	4,800	7,133
Due in the fifth year		
Unsecured bank borrowings	4,134	1,003
Secured bank borrowings	2,539	161
Medium term notes	<u>1,001</u>	<u>4,715</u>
	7,674	5,879
Due beyond the fifth year		
Secured bank borrowings	418	1,515
Medium term notes	<u>8,106</u>	<u>8,043</u>
	8,524	9,558
	<u>32,121</u>	<u>30,688</u>

Notes:

- (i) After taking account the cross currency swap contracts, except for bank borrowings of HK\$794 million (31 March 2020: HK\$2,177 million), HK\$3,608 million (31 March 2020: HK\$1,003 million) and HK\$3,688 million (31 March 2020: Nil) which are denominated in Renminbi, Australian Dollars and Pound Sterling respectively, all the other interest bearing liabilities are denominated in Hong Kong Dollars.
- (ii) After taking account the cross currency swap contracts and interest rate swap contracts, the effective interest rate of the interest bearing liabilities which are denominated in Hong Kong Dollars at the reporting date was 2.56% (31 March 2020: 2.94%) and that of the interest bearing liabilities which are denominated in Renminbi, Australian Dollars and Pound Sterling was 5.15% (31 March 2020: 5.58%), 1.14% (31 March 2020: 1.43%) and 1.02% (31 March 2020: N/A) respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

21 Convertible bonds

On 3 April 2019, the Group issued HK\$4 billion convertible bonds at 1.6% per annum due 2024. These bonds are convertible into new Link units at an initial conversion price of HK\$109.39 per unit at the option of the bondholder. Link has the option to redeem the bonds if the closing price of the units is 130% or above the initial conversion price while bondholders have the right to require Link to redeem all or some only of the bonds on 3 April 2022. The convertible bonds are unsecured. The effective interest rate of the convertible bonds at the reporting date was 3.12% (31 March 2020: 3.12%).

	Carrying value (Unaudited) HK\$'M
Liability component	
At 1 April 2020	3,910
Finance costs (<i>Note 7</i>)	62
Interest expenses paid	(64)
	<hr/>
At 30 September 2020	3,908
	<hr style="border-top: 1px dashed black;"/>
Derivative component	
At 1 April 2020	–
Change in fair value (<i>Note 7</i>)	–
	<hr/>
At 30 September 2020	–
	<hr style="border-top: 1px dashed black;"/>
	<hr style="border-top: 3px double black;"/>
	3,908

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

22 Derivative financial instruments

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Derivative assets		
Designated as fair value hedge		
– cross currency swap contracts	264	212
– interest rate swap contracts	27	19
Not designated as hedging instruments		
– cross currency swap contracts	14	–
	305	231
Derivative liabilities		
Designated as cash flow hedge		
– interest rate swap contracts	(145)	(88)
Designated as fair value hedge		
– cross currency swap contracts	(3)	–
Not designated as hedging instruments		
– forward foreign exchange contracts	(20)	–
	(168)	(88)
Net derivative assets	137	143

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. The fair values of forward foreign exchange contracts are determined using forward exchange market rates at each reporting date. Cross currency swap contracts, interest rate swap contracts and forward foreign exchange contracts are included in Level 2 (31 March 2020: Level 2) of the fair value hierarchy. During the six months ended 30 September 2019 and 2020, there were no transfers between the three levels of the fair value hierarchy.

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

22 Derivative financial instruments (Continued)

The carrying amounts of net derivative assets/(liabilities) are expected to be settled as below:

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Within one year	(20)	(2)
After one year	157	145
	137	143

The Group uses cross currency swap contracts (swapping from foreign currencies to Hong Kong Dollars) and interest rate swap contracts to minimise its exposure to movements in foreign currency exchange rates and interest rates in relation to its interest bearing liabilities. 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. Any change in fair values of the cross currency swap contracts and forward foreign exchange contracts that are not designated for hedge accounting are recognised directly in the condensed consolidated income statement. A net amount of HK\$57 million (2019: HK\$7 million) had been debited to the hedging reserve during the period as further set out in Note 25.

As at 30 September 2020, the derivative financial instruments qualifying as cash flow hedges have, in effect, provided the Group with an average fixed interest rate period of 5.60 years on HK\$4,716 million borrowings (31 March 2020: 6.50 years on HK\$3,000 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 2020 were HK\$4,716 million (31 March 2020: HK\$3,000 million) and 1.10% (31 March 2020: 1.58%) respectively. The notional principal amount of the outstanding floating rates to floating rates interest rate swap contracts as at 30 September 2020 was HK\$500 million (31 March 2020: HK\$2,000 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

22 Derivative financial instruments (Continued)

As at 30 September 2020, 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 2020 were HK\$7,753 million (31 March 2020: HK\$7,753 million) and HK\$400 million (31 March 2020: HK\$1,400 million) respectively.

Gains and losses on interest rate swap contracts recognised in the hedging reserve (Note 25) as at 30 September 2020 will be released to the condensed consolidated income statement.

As at 30 September 2020, the Group has outstanding cross currency swap contracts that are not designated for hedge accounting and the notional principal amounts were HK\$1,716 million (31 March 2020: Nil).

As at 30 September 2020, the Group has outstanding forward contracts of selling Renminbi 297 million (31 March 2020: Renminbi 594 million) and Australian Dollars 7 million (31 March 2020: Nil) against Hong Kong Dollars. These forward contracts were entered for the purpose of locking in part of the Group's future Renminbi denominated net income in Mainland China and Australian Dollars denominated net income in Australia in Hong Kong Dollars term, and are not designated for hedge accounting.

23 Trade payables, receipts in advance and accruals

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Trade payables	72	80
Receipts in advance	393	310
Accruals	2,231	2,250
	2,696	2,640

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

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

The carrying amounts of these payables approximate their fair values and are expected to be settled as follows:

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Within one year	2,696	2,638
After one year	—	2
	<u>2,696</u>	<u>2,640</u>

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

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
0–30 days	51	55
31–90 days	6	13
Over 90 days	15	12
	<u>72</u>	<u>80</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

24 Units in issue

Number of units
(Unaudited)

At 1 April 2020	2,057,898,386
Units issued under distribution reinvestment scheme	10,528,967
Units bought back for cancellation	<u>(6,000,000)</u>

At 30 September 2020 **2,062,427,353**

Pursuant to the general mandate granted to the Manager by the Unitholders, the Manager (on behalf of Link) bought back a total of 6,000,000 units (2019: 13,031,000 units) at an aggregate price of HK\$379 million (2019: HK\$1,138 million). All units bought back were cancelled during the period.

Closing price of the units as at 30 September 2020 was HK\$63.00 (31 March 2020: HK\$65.70) per unit. Based on 2,062,427,353 units in issue as at 30 September 2020 (31 March 2020: 2,057,898,386 units), market capitalisation was HK\$129,933 million (31 March 2020: HK\$135,204 million).

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

25 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 2020	(580)	(88)	(2,071)	2,159	(580)
Cash flow hedges:					
– Change in fair values	–	(69)	–	–	(69)
– Amount transferred to the condensed consolidated income statement (<i>Note (i)</i>)	–	12	–	–	12
	–	(57)	–	–	(57)
Foreign currency translations:					
– Exchange gain on translation of financial statements	–	–	986	–	986
– Change in fair value of net investment hedges	–	–	24	–	24
	–	–	1,010	–	1,010
Net assets attributable to Unitholders:					
– Amount arising from exchange reserve and cash flow hedging reserve movements (<i>Note (ii)</i>)	–	–	–	(953)	(953)
At 30 September 2020	(580)	(145)	(1,061)	1,206	(580)

Notes:

- (i) Amount transferred to the condensed consolidated income statement in respect of cash flow hedges was included in “Finance costs” (*Note 7*).
- (ii) 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)**

26 Acquisition of assets

On 19 December 2019, Link, through a wholly owned subsidiary, entered into a unit sales agreement and a share sale agreement to acquire the entire issued units of Market Sub Trust and the entire issued shares of Market Sub TC Pty Ltd, at a cash consideration of AUD655 million (equivalent to approximately HK\$3,132 million) and Link incurred acquisition-related transaction costs of HK\$190 million. The transaction was completed on 7 April 2020. Market Sub Trust owns the 100 Market Street located at 100 Market Street, Sydney, Australia.

On 24 July 2020, Link, through a wholly owned subsidiary, entered into a sales and purchase agreement to acquire the entire issued share capital of 25 Cabot Square S.à r.l. and Cabot Square Retail S.à r.l. at a cash consideration (after adjustment) of GBP368 million (equivalent to approximately HK\$3,751 million) and Link incurred acquisition-related transaction costs of HK\$28 million. The transaction was completed on 25 August 2020. 25 Cabot Square S.à r.l. and Cabot Square Retail S.à r.l. own The Cabot located at 25 Cabot Square, Canary Wharf, London, United Kingdom.

The above acquisitions have been accounted for by the Group as acquisitions of assets as the entities acquired by the Group do not constitute a business.

The assets and liabilities arising from the acquisitions are as follows:

	100 Market Street (Unaudited) HK\$'M	The Cabot (Unaudited) HK\$'M	Total (Unaudited) HK\$'M
Investment properties (<i>Note 13</i>)	3,457	3,796	7,253
Cash and cash equivalents	–	7	7
Other net current liabilities	(135)	(24)	(159)
	<hr/>	<hr/>	<hr/>
Purchase consideration	3,322	3,779	7,101
Deposit paid	(365)	–	(365)
Cash and cash equivalents acquired	–	(7)	(7)
	<hr/>	<hr/>	<hr/>
Cash outflow on acquisitions	<u>2,957</u>	<u>3,772</u>	<u>6,729</u>

27 Capital commitments

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Capital expenditure of investment properties contracted but not provided for at the end of the period	<u>737</u>	<u>691</u>

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

28 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 2020:

Connected/related party	Relationship with the Group
HSBC Institutional Trust Services (Asia) Limited (the Trustee)*	The Trustee of Link
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (excluding the Trustee and its proprietary subsidiaries) (the HSBC Group)*	Associates [#] of the Trustee
Colliers International (Hong Kong) Limited (<i>Note (i)</i>)	The Principal Valuer of Link
Jones Lang LaSalle Limited (the Former Principal Valuer) (<i>Note (ii)</i>)	The Former Principal Valuer of Link
Jones Lang LaSalle Management Services Limited (<i>Note (ii)</i>)	Associate [#] of the Former Principal Valuer
Beijing Jones Lang LaSalle Property Management Services Company Limited Shenzhen Branch (<i>Note (ii)</i>)	Associate [#] of the Former Principal Valuer
Aedas Limited*	Associate [#] of director
Aedas Beijing Limited*	Associate [#] of director
Dah Sing Bank, Limited	Associate [#] of director

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

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

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

- * These connected parties are also considered as related parties of the Group.
- # “Associate” has the meaning ascribed to it under the REIT Code.

Notes:

- (i) Colliers International (Hong Kong) Limited is the current Principal Valuer of Link who is responsible for the property valuation of Link as at 30 September 2020. Colliers International (Hong Kong) Limited was appointed as the Principal Valuer of Link with effect from 17 November 2019.
- (ii) Jones Lang LaSalle Limited was the former valuer of Link who was responsible for the property valuation of Link up till 30 September 2019. Jones Lang LaSalle Limited retired as the Principal Valuer of Link in accordance with the REIT Code on 17 November 2019 and since then, Jones Lang LaSalle Limited and its associates ceased to be connected parties of Link.

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

28 Connected party transactions and significant related party transactions and balances (Continued)

(b) Transactions with connected/related parties

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

	Six months ended 30 September 2020 (Unaudited) HK\$'M	Six months ended 30 September 2019 (Unaudited) HK\$'M
Trustee's fee paid and payable to the Trustee (<i>Note (ii)</i>)	(7)	(12)
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	(34)	(22)
Rental income from the HSBC Group on leasing of retail units	17	19
Interest income from the HSBC Group on bank deposits	10	10
Transactions with the Principal Valuer (<i>Note (iii) and (iv)</i>)		
Valuation fee	(1)	(1)
Consultancy services fees	-	(2)
Charges for provision of fitter services paid and payable to Jones Lang LaSalle Management Services Limited (<i>Note (iii)</i>)	-	(7)
Property management fee paid and payable to Beijing Jones Lang LaSalle Property Management Services Company Limited Shenzhen Branch (<i>Note (iii)</i>)	-	(11)
Architectural/renovation consultancy services fees paid and payable to Aedas Limited (<i>Notes (iii) and (v)</i>)	-	(1)
Architectural/renovation consultancy services fees paid and payable to Aedas Beijing Limited (<i>Notes (iii) and (v)</i>)	(5)	-
Interest expense and various financing charges to Dah Sing Bank, Limited on interest bearing liabilities (<i>Notes (iii) and (vi)</i>)	(2)	-
Rental income from Dah Sing Bank, Limited on leasing of retail units (<i>Notes (iii) and (vi)</i>)	4	4

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

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

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

Notes:

- (i) All connected/related 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 0.006% per annum to 0.015% per annum (2019: 0.008% per annum to 0.030% 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) Colliers International (Hong Kong) Limited was appointed as the Principal Valuer of Link with effect from 17 November 2019. The Former Principal Valuer, Jones Lang LaSalle Limited, was responsible for the property valuation of Link up till the six months ended 30 September 2019. Valuation fee for the period ended 30 September 2020 of HK\$1 million was paid and payable to Colliers International (Hong Kong) Limited while valuation fee of HK\$1 million and consultancy services fees of HK\$2 million were paid to Jones Lang LaSalle Limited for the six months ended 30 September 2019.
- (v) Aedas Limited and Aedas Beijing Limited are associates of Mr Ian Keith GRIFFITHS.
- (vi) 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:

	30 September 2020 (Unaudited) HK\$'M	31 March 2020 (Audited) HK\$'M
Trustee's fee payable to the Trustee	(1)	(4)
Interest bearing liabilities with the HSBC Group	(1,875)	(2,820)
Net interest payable to the HSBC Group	(1)	(5)
Security deposits from the HSBC Group	(4)	(4)
Cross currency swap contracts and interest rate swap contracts with the HSBC Group	(28)	(1)
Deposits placed with the HSBC Group	<u>1,268</u>	<u>6,569</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Continued)

28 Connected party transactions and significant related party transactions and balances
(Continued)

(d) Key management compensation

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

	Six months ended 30 September 2020 (Unaudited) HK\$'M	Six months ended 30 September 2019 (Unaudited) HK\$'M
Fees	5	4
Basic salaries, allowances and other benefits	78	117
Long-term incentive schemes awards	(6)	54
	77	175

29 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information was authorised for issue by the Board on 9 November 2020.

APPRECIATION

The Board would like to thank all staff for their professionalism, commitment and contribution. Without their skills and dedicated customer service, Link would not have secured the support and loyalty of our tenants and communities that we serve. The Board also wishes 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 2020 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 TRUST DEED

On 22 July 2020, with Unitholders' approval given by way of special resolution, certain provisions in Link's trust deed (as amended by supplemental deeds) (the **Trust Deed**) in relation to the scope of permitted investments under the investment policy of Link were amended so as to allow investments in all real estate classes. All amendments were detailed in the circular of Link dated 18 June 2020. The Manager and the trustee of Link (being HSBC Institutional Trust Services (Asia) Limited) (the **Trustee**) entered into the 14th supplemental deed dated 22 July 2020 to make relevant amendments to the Trust Deed.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2020, Link and the Manager complied with the Code on Real Estate Investment Trusts, the Securities and Futures Ordinance, applicable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Stock Exchange**) (the **Listing Rules**), the Trust Deed, and in all material respects the Manager's compliance manual. Link and the Manager also applied the principles and complied with, to the extent appropriate, the code provisions in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the period.

The corporate governance policy and practices adopted for the six months ended 30 September 2020 remained in line with those in place for the financial year ended 31 March 2020 as disclosed in the corporate governance report in Annual Report 2019/2020 of Link. Further details will be set out in Interim Report 2020/2021 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 6,000,000 units on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK\$378.7 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\$	
2020				
September	6,000,000	65.45	60.95	378.7

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

ISSUE OF NEW UNITS

During the period under review, 10,528,967 new units of Link were issued at an issue price of HK\$62.673 per unit pursuant to the distribution reinvestment scheme in respect of the final distribution for the financial year ended 31 March 2020. Based on 2,062,427,353 units in issue as at 30 September 2020, the number of new units issued during the period under review represented approximately 0.51% of the units of Link in issue.

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 HK141.65 cents per unit for the six months ended 30 September 2020 will be paid on Monday, 28 December 2020 to the Unitholders whose names appear on the register of Unitholders of Link on Tuesday, 24 November 2020. For the purpose of ascertaining Unitholders' entitlement to the interim distribution, the register of Unitholders of Link will be closed from Monday, 23 November 2020 to Tuesday, 24 November 2020 inclusive, during which period no transfer of units will be registered. In order for Unitholders to qualify for the interim 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 Friday, 20 November 2020.

DISTRIBUTION REINVESTMENT SCHEME

A distribution reinvestment scheme will be available to eligible Unitholders who may elect to receive the interim distribution for the six months ended 30 September 2020 wholly in cash or wholly in new units or a combination of both. An announcement giving further information of this scheme will be published on or around Tuesday, 24 November 2020, and a circular containing details of this scheme together with the relevant election form or revocation notice and residual distribution entitlement advice (as the case may be) will be despatched to Unitholders on or around Friday, 27 November 2020.

DESPATCH OF INTERIM REPORT 2020/2021

The Interim Report 2020/2021 of Link will be available on the websites of the Stock Exchange and Link and be despatched to Unitholders on or around Friday, 27 November 2020.

By order of the Board
Link Asset Management Limited
(as manager of Link Real Estate Investment Trust)
Kenneth Tai Lun WONG
Company Secretary

Hong Kong, 9 November 2020

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*)

NG Kok Siong (*Chief Financial 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