

# Interim Report 2008/09

Six Months Ended 30 September 2008



### 1. Hau Tak Shopping Centre

Through the asset enhancement programme, the shopping centre is given a modern ambience and better floor layout to attract and support higher customer traffic.

### 2. Lung Cheung Mall

Continuous tenant-mix enhancement brings in wider retail and dining choices and contributes to more welcoming experiences for customers.

### 3. Sun Chui Cooked Food Stalls

Renovated cooked food stalls are highly popular with customers as they provide food with strong local flavours in a more comfortable environment.

### 4. Stanley Plaza

Featuring a wide range of cuisine choices, Stanley Plaza is a great place for gatherings with family and friends.

### 5. Lung Cheung Mall

We regularly organise art and cultural activities at our shopping centres. In October 2008, the Hong Kong International Festival of Chinese Orchestras was launched with a spectacular concert performance at seven centres of The Link.

### 6. Tin Yiu Shopping Centre

Participants get to learn some percussion instruments, whilst enjoying a musical experience with their families, in an event of "The Link Fun Academy". This is a corporate citizenship programme which was named a Gold Award winner in the "Asia Shopping Centre Awards" organised by the International Council of Shopping Centres.



# Link

## A New Face

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# Corporate Information

## Board of Directors of the Manager

**Chairman** (also an Independent Non-Executive Director)  
Nicholas Robert SALLNOW-SMITH

### Executive Directors

Ian David Murray ROBINS (*Chief Executive Officer*)  
CHEW Fook Aun (*Chief Financial Officer*)

### Non-Executive Directors

Ian Keith GRIFFITHS  
John HO Chi On  
KEE Teck Koon  
LIM Beng Chee

### Independent Non-Executive Directors

Michael Ian ARNOLD  
Anthony CHOW Wing Kin  
Patrick FUNG Yuk Bun  
Stanley KO Kam Chuen  
Richard WONG Yue Chim  
Allan ZEMAN

## Audit Committee

Patrick FUNG Yuk Bun (*Chairman*)  
Anthony CHOW Wing Kin  
Stanley KO Kam Chuen  
Richard WONG Yue Chim  
Allan ZEMAN

## Finance and Investment Committee

Nicholas Robert SALLNOW-SMITH (*Chairman*)  
Ian David Murray ROBINS  
CHEW Fook Aun  
Michael Ian ARNOLD  
Ian Keith GRIFFITHS  
John HO Chi On  
KEE Teck Koon

## Human Resources and Compensation Committee

Michael Ian ARNOLD (*Chairman*)  
Ian David Murray ROBINS  
John HO Chi On  
Stanley KO Kam Chuen  
KEE Teck Koon  
Richard WONG Yue Chim

## Nomination Committee

Nicholas Robert SALLNOW-SMITH (*Chairman*)  
Ian David Murray ROBINS  
Michael Ian ARNOLD  
Anthony CHOW Wing Kin

## Responsible Officers of the Manager

Ian David Murray ROBINS  
CHEW Fook Aun  
Simon HO Kam Por

## Authorised Representatives of The Link REIT

CHEW Fook Aun  
Josephine YEE Chooi Mee

## Qualified Accountant of the Manager

CHEW Fook Aun

## Company Secretary of the Manager

Josephine YEE Chooi Mee

## Trustee

HSBC Institutional Trust Services (Asia) Limited

## Auditor of The Link REIT

PricewaterhouseCoopers

## Principal Valuer

Knight Frank Petty Limited

## Principal Bankers

Bank of China (Hong Kong) Limited  
The Bank of Tokyo-Mitsubishi UFJ, Ltd, Hong Kong Branch  
BNP Paribas Hong Kong Branch  
DBS Bank Ltd, Hong Kong Branch  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited

## Registered Office of the Manager

Room 1201–1202, 12th Floor,  
9 Queen's Road Central, Hong Kong

## Head Office

4/F, Multi-Storey Carpark Building,  
108 Ching Tak Street, Wong Tai Sin  
Kowloon, Hong Kong

## Unit Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong

# Information for Unitholders

## Unit Listing

Units of The Link Real Estate Investment Trust ("The Link REIT") ("Units") are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Details of Units in issue are set out in Note 20 to the Condensed Consolidated Interim Financial Information.

The stock code is 823.

## Investor Calendar

Interim results announcement for the six months ended 30 September 2008	12 November 2008
Ex-dividend date	26 November 2008
Five trading days to determine scrip price	26 November to 2 December 2008 (both days inclusive)
Closure of Register of Unitholders (for distribution)*	28 November to 2 December 2008 (both days inclusive)
Record date for the interim distribution	2 December 2008
Despatch of Distribution Reinvestment Scheme Documents	On or about 11 December 2008
Scrip distribution election period closes <sup>^</sup>	2 January 2009
Distribution payment date	On or about 23 January 2009
Final results announcement for the year ending 31 March 2009	June 2009 <sup>#</sup>

\* For the purpose of the distribution, the Register of Unitholders of The Link REIT will be closed from 28 November to 2 December 2008 (both days inclusive), during which no transfer of Units can be registered. To qualify for the distribution, all transfers, accompanied by the relevant Unit certificates, must be lodged with The Link REIT's unit registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on 27 November 2008.

<sup>^</sup> A distribution reinvestment scheme is available to the unitholders and the unitholders can elect to receive the distribution in respect of the six months ended 30 September 2008 in the form of cash, or in the form of new units of The Link REIT, or a combination of both. An announcement explaining further information of the distribution reinvestment scheme will be released on or about 2 December 2008 and a circular containing the details together with the relevant election form or entitlement advice will be sent to unitholders on or about 11 December 2008.

<sup>#</sup> tentative date

## Investor Information

Corporate press releases, financial reports and other investor information on The Link REIT are available online at its website [www.thelinkreit.com](http://www.thelinkreit.com).

## Investor Relations Contact

Please direct enquiries to:

Investor Relations Officer

Address: 4/F, Multi-Storey Carpark Building, 108 Ching Tak Street,  
Wong Tai Sin, Kowloon, Hong Kong

Telephone: (852) 2175 1800

Facsimile: (852) 2175 1900

Email: [ir@thelinkreit.com](mailto:ir@thelinkreit.com)

## Website Address

[www.thelinkreit.com](http://www.thelinkreit.com)

# Financial Highlights

		<b>Six months ended 30 September 2008 (Unaudited)</b>	Six months ended 30 September 2007 (Unaudited)	Changes %
Revenue	HK\$M	<b>2,203</b>	2,056	7.1%
Net Property Income	HK\$M	<b>1,349</b>	1,243	8.5%
Distributable Income	HK\$M	<b>884</b>	776	13.9%
Distribution per unit				
Interim for the period	HK cents	<b>40.86</b>	36.11	13.2%
Distribution yield (annualised)				
on listing price of HK\$10.30 per unit	%	<b>7.9</b>	7.0	12.9%
on market price at period end	%	<b>5.1</b>	4.2	21.4%
Expenditure/Income ratio for the period	%	<b>38.8</b>	39.5	(1.8%)
Expenditure/Income ratio excluding estate common area costs for the period	%	<b>36.7</b>	37.6	(2.4%)
Occupancy rate at period end	%	<b>87.6</b>	90.5	(3.2%)
Composite reversion rate for the period	%	<b>25.71</b>	13.69	87.8%
Composite reversion rate for the period excluding Education/Welfare	%	<b>25.84</b>	13.92	85.6%
Average base unit rent excluding Self-use Offices at period end (per square foot)	HK\$	<b>26.8</b>	24.4	9.8%
Average base unit rent excluding Self-use Offices, Education/Welfare, HD Offices and Ancillary at period end (per square foot)	HK\$	<b>29.3</b>	26.6	10.2%
Retention rate for the period	%	<b>76.3</b>	73.2	4.2%
Number of turnover rent tenants at period end		<b>1,493</b>	752	98.5%
Carpark income per bay per month	HK\$	<b>1,015</b>	955	6.3%
Carpark utilisation rate at period end	%	<b>70.3</b>	71.6	(1.8%)

## Financial Highlights (continued)

		<b>As at 30 September 2008 (Unaudited)</b>	As at 31 March 2008 (Audited)	Changes %
Valuation of investment properties at period/year end	HK\$M	<b>44,133</b>	44,307	(0.4%)
Net asset value at period/year end	HK\$M	<b>30,645</b>	30,558	0.3%
Net asset value per unit at period/year end	HK\$	<b>14.16</b>	14.16	0.0%
Market price per unit at period/year end	HK\$	<b>16.02</b>	17.26	(7.2%)
Market capitalisation at period/year end	HK\$M	<b>34,665</b>	37,259	(7.0%)
Premium of unit price to net asset value per unit at period/year end	%	<b>13.1</b>	21.9	(40.2%)
Borrowings to total assets ratio at period/year end	%	<b>23.2</b>	24.2	(4.1%)

# Management Discussion and Analysis

The board of directors (the "Board") of The Link Management Limited (the "Manager"), as Manager of The Link REIT, is pleased to report the unaudited interim results of The Link REIT and its subsidiaries (the "Group") for the six months ended 30 September 2008.

For the six months ended 30 September 2008, Total Distributable Income was HK\$884 million (30 September 2007: HK\$776 million), representing a growth of 13.9% over the corresponding interim period ended 30 September 2007. Distribution per unit approved by the Board for the period is HK40.86 cents (30 September 2007: HK36.11 cents).

## Operational Review

The Link REIT was the first and is the largest Hong Kong REIT with a geographically diverse portfolio of 180 properties, comprising 149 integrated retail and carpark facilities, two standalone retail facilities and 29 standalone carpark facilities. As at 30 September 2008, the portfolio provided an internal floor area ("IFA") of approximately 10,977,000 square feet of retail space and around 80,000 carpark spaces.

### The Manager

The Manager is licensed by the Securities and Futures Commission ("SFC") to conduct the regulated activity of asset management and is responsible for managing The Link REIT's portfolio of 180 properties. As at 30 September 2008, the Manager had 447 (31 March 2008: 423) staff. Key activities of the Manager include leasing, property management, enhancement and maintenance works, investment, fund management and associated corporate services.

### Leasing

During the six months ended 30 September 2008, continued strong progress has been made on the leasing of the properties. Revenue growth for the period under review has been encouraging with strong renewals and new leases. Although affected by asset enhancement work, the occupancy rate of the retail facilities still stood at 87.6% as at 30 September 2008 (30 September 2007: 90.5%). Higher rents were also commanded in centres where asset enhancement works have been completed. These have resulted in an increase in the average unit rent of the portfolio from HK\$24.4 per square foot ("psf") as at 30 September 2007 to HK\$26.8 psf at the period end. Excluding welfare/education letting, Housing Department offices and ancillary, the average unit rent of the total portfolio as at 30 September 2008 was HK\$29.3 psf (30 September 2007: HK\$26.6 psf).



## Management Discussion and Analysis (continued)

Category	Total IFA			Leased IFA			Vacant IFA		
	30 Sep 2008 (sq ft)	31 Mar 2008 (sq ft)	30 Sep 2007 (sq ft)	30 Sep 2008 (sq ft)	31 Mar 2008 (sq ft)	30 Sep 2007 (sq ft)	30 Sep 2008 (sq ft)	31 Mar 2008 (sq ft)	30 Sep 2007 (sq ft)
Retail	8,620,637	8,661,156	8,584,279	7,702,106	7,901,282	7,939,978	918,531	759,874	644,301
Market	876,075	872,648	879,699	682,820	683,600	693,342	193,255	189,048	186,357
Cooked Food Stalls	150,782	152,677	153,258	101,472	97,651	94,605	49,310	55,026	58,653
Education/Welfare	930,410	928,373	923,756	863,518	861,077	856,588	66,892	67,296	67,168
HD Offices and Ancillary	275,005	279,035	285,590	158,248	185,248	210,813	116,757	93,787	74,777
Total excluding Self-use Offices	10,852,909	10,893,889	10,826,582	9,508,164	9,728,858	9,795,326	1,344,745	1,165,031	1,031,256
Self-use Offices	124,546	112,710	98,577						
Total including Self-use Offices	10,977,455	11,006,599	10,925,159						
Excluding Self-use Offices, Education/Welfare only	9,922,499	9,965,516	9,902,826	8,644,646	8,867,781	8,938,738	1,277,853	1,097,735	964,088
Excluding Self-use Offices, Education/Welfare, HD Offices and Ancillary	9,647,494	9,686,481	9,617,236	8,486,398	8,682,533	8,727,925	1,161,096	1,003,948	889,311

Category	Occupancy rate			Vacancy rate			Average base rent per leased IFA		
	30 Sep 2008 (%)	31 Mar 2008 (%)	30 Sep 2007 (%)	30 Sep 2008 (%)	31 Mar 2008 (%)	30 Sep 2007 (%)	30 Sep 2008 (HK\$ psf)	31 Mar 2008 (HK\$ psf)	30 Sep 2007 (HK\$ psf)
Retail	89.3%	91.2%	92.5%	10.7%	8.8%	7.5%	26.6	25.1	24.0
Market	77.9%	78.3%	78.8%	22.1%	21.7%	21.2%	58.8	57.6	56.1
Cooked Food Stalls	67.3%	64.0%	61.7%	32.7%	36.0%	38.3%	33.1	32.1	31.5
Education/Welfare	92.8%	92.8%	92.7%	7.2%	7.2%	7.3%	4.4	4.4	4.4
HD Offices and Ancillary	57.5%	66.4%	73.8%	42.5%	33.6%	26.2%	16.9	15.8	11.5
Total excluding Self-use Offices	87.6%	89.3%	90.5%	12.4%	10.7%	9.5%	26.8	25.4	24.4
Excluding Self-use Offices, Education/Welfare only	87.1%	89.0%	90.3%	12.9%	11.0%	9.7%	29.1	27.5	26.3
Excluding Self-use Offices, Education/Welfare, HD Offices and Ancillary	88.0%	89.6%	90.8%	12.0%	10.4%	9.2%	29.3	27.7	26.6

The portfolio's average reversion rate was 25.71% (30 September 2007: 13.69%) whilst that for the retail shopping space was 30.22% (30 September 2007: 15.44%). Reversion rates at individual shopping centres may show large variances as rental levels were affected by the local operating business environment and the quality of the individual centres. In instances where

planned and phased re-alignment of trade mix and asset enhancement projects are being carried out, tenancies have been renewed on terms of less than three years which is the usual term for commercial leases. These short term extensions also affected the reversion rate as they were granted at minimal adjustments.

## Management Discussion and Analysis (continued)

<b>Revenue</b>	<b>Six months ended 30 September 2008 HK\$'M</b>	Six months ended 30 September 2007 HK\$'M
Retail	1,231	1,147
Market	239	231
Cooked Food Stalls	19	18
Education/Welfare	23	23
HD Offices and Ancillary	42	37
Mall Merchandising	32	21
Carparks	484	456
Other revenues	133	123
<b>Total</b>	<b>2,203</b>	<b>2,056</b>

<b>Composite Reversion Rate</b>	<b>Six months ended 30 September 2008 %</b>	Year ended 31 March 2008 %	Six months ended 30 September 2007 %
Retail	30.22	24.78	15.44
Market	10.03	12.67	7.60
Cooked Food Stalls	6.26	8.88	17.67
Education/Welfare	4.01	3.03	0.58
HD Offices and Ancillary	n/a	38.58	11.67
Overall	25.71	22.48	13.69
Overall excluding Education/Welfare	25.84	22.64	13.92

We have also achieved good progress in increasing tenancies with turnover rent clauses so that we can share in the upside with our tenants as their businesses improve. As at 30 September 2008, the number of tenancies with such clauses has increased to 1,493 (30 September 2007: 752) with turnover rent for the six months period ended 30 September 2008 amounting to HK\$32 million (30 September 2007: HK\$23 million).

As evidence of our enhanced efforts in bringing in new tenants and services to our shopping centres and enriching customers' shopping experience, we have successfully secured UNY (HK) Co., Ltd, to open its first department store in Kowloon in our flagship property, Lok Fu Shopping Centre. A 110,000 square feet APiTA Department Store will open in early 2010, bringing a broad mix of quality and affordable merchandises to the general public.

## Management Discussion and Analysis (continued)

The Manager will strive to continue with its flexible leasing strategy to attract and retain tenants but also in keeping with asset enhancement plans, aligning tenancies for phased refurbishment/renovation work. Trade mix upgrading and planning is carried out on a continual basis and is done in line with planned expiry of tenancies as well as asset enhancement projects.

Carpark income per bay per month for the period ended 30 September 2008 was approximately HK\$1,015 (30 September 2007: HK\$955). The utilisation rate for the carpark facilities, calculated as a percentage of total monthly tickets sold compared with the total number of monthly carpark spaces available as at 30 September 2008 was 70.3% (30 September 2007: 71.6%).

### Asset Management

The Manager has continued with its efforts in reducing operating costs. Expenditure to income ratio for the period was 38.8%, an improvement since the last interim results of 39.5%. Excluding estate common area costs, the expenditure to income ratio for our portfolio for the period was 36.7% (30 September 2007: 37.6%). The Manager will endeavour to control costs but as more List 2 property titles are transferred, government rent will increase. It is presently envisaged that all the property titles will be transferred by early 2010.

### Marketing and Promotion

The dynamic marketing and promotional endeavours of the Manager have continued to enliven the business ambience of our shopping centres. Not only have our tenants benefited from the increased footfall brought about by these promotional events and multi-dimensional activities, further improvements in customer satisfaction with our shopping centres help strengthen the corporate image of The Link.

The Link recognises its tenants as our partners in growing our businesses together. During the period under review, The Link has formally established "The Link Tenant Academy" to provide tenants with value-add services through various themed seminars and workshops. "The

Link Tenant Academy" will regularly invite industry experts or veteran trainers to conduct seminars or workshops, aiming to keep tenants abreast of such topics as latest market information, management concepts, industry trends, retail techniques, quality of catering and energy saving.

### Asset Enhancements

Asset enhancement continues to be one of the Manager's fundamental drivers to improve the quality of the portfolio in tandem with re-aligning existing tenancies and introducing new trade and tenant mix to improve rental income.

During the six months ended 30 September 2008, continued strong progress was made on projects currently underway. Projects are continuing to be constructed with no material delay or cost overruns. We are also very pleased with the leasing take up of the projects to date. We currently have nineteen projects underway including enhanced scope of works in Butterfly Shopping Centre with capital expenditure increasing from HK\$35 million to HK\$90.2 million. The Manager has also reconsidered the renovation of the Wan Tsui Shopping Centre and has decided to defer this project pending further detailed study. Subsequent to the period end, Phase 1 of Cheung Fat Shopping Centre was completed in November 2008.

Good progress is being achieved at other shopping centres undergoing asset enhancement. Short term extensions to existing tenancies or temporary tenancies, where practicable, are let to reduce rental void periods prior to renovations. Vacancies due to asset enhancement work as at 30 September 2008 was 4.6% as a percentage of total leasable floor area of the whole portfolio. This is forecasted to drop as we have six projects scheduled for full completion in the second half of this financial year.

Feasibility studies are still in progress by the Manager to identify additional asset enhancement opportunities in the future.



## Management Discussion and Analysis (continued)

### Financial Review

#### Revenue and Net Property Income

Revenue and net property income from the properties portfolio for the six months ended 30 September 2008 were HK\$2,203 million (30 September 2007: HK\$2,056 million) and HK\$1,349 million (30 September 2007: HK\$1,243 million), respectively. Total retail revenue for the six months period amounted to HK\$1,586 million (30

September 2007: HK\$1,477 million) with HK\$484 million (30 September 2007: HK\$456 million) of carpark income and HK\$133 million (30 September 2007: HK\$123 million) of other income. Net property income represented approximately 61% of total revenue after the deduction of property management costs and other property operating expenses resulting in an expenditure to income ratio of approximately 39%.

	Six months ended 30 September 2008		Six months ended 30 September 2007	
	HK\$'M	% of Revenue	HK\$'M	% of Revenue
Property management costs	357	16	339	17
Other property operating expenses	497	23	474	23
Total property expense	854	39	813	40
Net property income	1,349	61	1,243	60

#### Total Distributable Income

Total Distributable Income was HK\$884 million for the six months ended 30 September 2008 as compared to HK\$776 million for the same period last year. It is the Manager's current policy to distribute to unitholders 100% of The Link REIT's Total Distributable Income. The distribution per unit for the six months ended 30 September 2008 is HK40.86 cents (30 September 2007: HK36.11 cents) which represents an annualised distribution yield of 5.1% based on the last traded price of HK\$16.02 as of 30 September 2008.

The record date for the interim distribution will be 2 December 2008 and the register of unitholders will be closed from 28 November 2008 to 2 December 2008, both days inclusive. The distribution to unitholders will be effected on or about 23 January 2009.

A distribution reinvestment scheme is available to unitholders and unitholders can elect to receive the distribution in respect of the period ended 30 September 2008 in the form of cash, or in the form of new units of The Link REIT, or a combination of both. An announcement explaining further information of the distribution reinvestment scheme will be released on or about 2 December 2008 and a circular containing the details together with the relevant election form or entitlement advice will be sent to unitholders on or about 11 December 2008.

#### Property Valuation

As at 30 September 2008, Knight Frank Petty Limited ("KFP") performed an interim valuation of The Link REIT's property portfolio and a slight revaluation loss of HK\$464 million was recorded when compared with the valuation as at 31 March 2008.

## Management Discussion and Analysis (continued)

The movements in fair values are tabulated below:

	Weighted average capitalisation rate	Retail properties HK\$'M	Carpark HK\$'M	Total HK\$'M
At 1 April 2008	6.95%	36,105	8,202	44,307
Additions		267	23	290
Change in fair values		(307)	(157)	(464)
At 30 September 2008	7.15%	36,065	8,068	44,133
% change		(0.1%)	(1.6%)	(0.4%)

### Financial Position

On 4 August 2008, The Link REIT successfully arranged unsecured bilateral loan facilities amounting to HK\$1,450 million from leading local and international financial institutions to refinance the repayment of part of its Guaranteed Notes due August 2008 amounting to HK\$2.2 billion. The tenures of the loans are between one to three years and the all-in costs range from HIBOR plus

0.68% to HIBOR plus 0.76% per annum. The remaining amount of the Guaranteed Notes which have not been refinanced by the bilateral loan facilities have been repaid using internally generated funds. As at 30 September 2008, the maturity profile of the Group's borrowings is as follows:

	30 September 2008		31 March 2008	
	HK\$'M	% of total	HK\$'M	% of total
Due in the first year	2,696	23	2,199	18
Due in the second year	—	—	1,397	11
Due in the third year	4,249	37	4,000	33
Due in the fourth year	4,590	40	4,589	38
Total	11,535	100	12,185	100

The average outstanding life of the Group's loan facilities as at 30 September 2008 was 27 months.

Certain of the Group's investment properties, amounting to approximately HK\$4.7 billion (31 March 2008: HK\$4.8 billion) were mortgaged to secure the Group's loan facilities as at 30 September 2008.

During the period under review, the Group has also entered into HK\$2.5 billion and HK\$1.25 billion of five year and seven year interest rate swap ("IRS") transactions, respectively, to swap some of the Group's floating rate interest payments into fixed rate interest payments. The average fixed rate for these IRS is approximately 4.15%. By entering into these IRS transactions, the Group has increased its debt covered by

## Management Discussion and Analysis (continued)

IRS to HK\$7.75 billion (31 March 2008: HK\$4 billion), extended the average life of the IRS to 4.31 years as at 30 September 2008 (31 March 2008: 3.58 years) and lowered the average fixed interest rate under the Group's IRS to 4.61% (31 March 2008: 5.05%). The IRS enables the Group to hedge its interest rate exposure and to have a more stable interest rate profile in the next few years. As at 30 September 2008, approximately 79% (31 March 2008: 56%) of the total drawn facilities are at fixed rates.

In terms of the Group's available financial resources as at 30 September 2008, the Group had total undrawn bank loan facilities of HK\$400 million and net cash at bank and in hand of HK\$1,358 million. The deposits are with maturities that have been well planned to satisfy the financial commitments and working capital requirements of the Group. The Manager has adopted a principal preservation approach in its cash management to ensure flexibility to meet the operational needs of the Group. In addition, the generation of strong recurrent cashflows from the Group's investment property portfolio provides the Group with a strong financial position and enables the Group to finance any capital expenditure that The Link REIT may incur in relation to major renovations, improvement works and other value-enhancing strategic initiatives. Fluctuations in exchange rates pose minimal exposure to the Group as majority of the Group's assets and liabilities are dominated in Hong Kong dollars.

### Gearing Ratio

As at 30 September 2008, the loan to asset ratio for the Group was 23.2% (31 March 2008: 24.2%), based on total borrowings of HK\$11,535 million (31 March 2008: HK\$12,185 million) and total gross asset value of HK\$49,664 million (31 March 2008: HK\$50,348 million), after the revaluation conducted by KFP for the properties portfolio, the result of which has been reflected in the interim financial information. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 65% of the total drawn facilities as at 30 September 2008. The Group will continue to obtain financing on an unsecured basis whenever possible.

### Credit Ratings

On 12 September 2008, Standard & Poor's reaffirmed The Link REIT's corporate credit rating of "A grade with a stable outlook". In addition on 17 October 2008, Moody's Investors Service also reaffirmed the A3 corporate family and senior unsecured debt ratings of The Link REIT with a positive outlook.

### Gross Liabilities and Net Assets

As at 30 September 2008, gross liabilities (excluding net assets attributable to unitholders) accounted for HK\$19,019 million (31 March 2008: HK\$19,790 million), or 38.3% (31 March 2008: 39.3%) of total gross asset value. As at 30 September 2008, net assets attributable to unitholders amounted to HK\$30,645 million or HK\$14.16 per unit (31 March 2008: HK\$30,558 million or HK\$14.16 per unit).

### Units in Issue

A distribution reinvestment scheme was adopted by The Link REIT in respect of the final distribution for the year ended 31 March 2008. Pursuant to the distribution reinvestment scheme, unitholders can elect to receive the distribution in the form of cash, or in the form of new units of The Link REIT, or a combination of both. On 19 August 2008, 5,184,129 units were issued at a price of HK\$18.488 per unit pursuant to the said distribution reinvestment scheme, resulting in a total of 2,163,861,896 units in issue as at 30 September 2008. The units have been actively traded during the period under review. The closing price of the units as at 30 September 2008 was HK\$16.02 (31 March 2008: HK\$17.26) with total market capitalisation amounting to HK\$34,665 million (31 March 2008: HK\$37,259 million). The closing price reflected a premium of 13.1% (31 March 2008: 21.9%) over the net asset value of HK\$14.16 (31 March 2008: HK\$14.16) per unit.

## Management Discussion and Analysis (continued)

### Human Resources Development

The Manager's remuneration policy is built upon the principles of providing an equitable, motivating and competitive remuneration package with a view to attracting, motivating and retaining high performing staff. As an ongoing practice of adhering to these principles, the Manager reviews the remuneration policies and practices in line with market practices and with assistance provided by independent consultants. All full-time and permanent staff are eligible for a discretionary bonus, the payment of which is based on both the individual staff's performance and the performance of The Link REIT. Staff benefits, amongst others, include the mandatory provident fund, annual leave, sick leave, maternity leave, medical insurance, life and personal accident insurance, etc. During the interim period ended 30 September 2008, there was a 6% growth in headcount with most of the addition supporting leasing and project management.

### Awards

On 27 June 2008, The Link was presented the "Hong Kong Enterprise Environmental Achievement Award" by Hong Kong Environmental Protection Association in recognition of its efforts and contribution in environmental protection. Committed to protecting the environment, The Link frequently organises environmental protection activities in its shopping centres and has implemented energy-saving measures with great success.

On 19 October 2008, The Link won a Gold Award in the marketing category in the first "Asia Shopping Centre Awards" (the "Awards") for its corporate citizenship project "The Link Fun Academy", affirming its efforts in supporting the community through programmes at shopping centres. The Awards was organised by International Council of Shopping Centers, a global trade association of the shopping center industry. The Council's "Asia Shopping Centre Awards" seeks to recognise companies in the region for their outstanding achievements in shopping centre marketing and development. Judging criteria for the marketing category

include marketing objectives and strategy, creativity, tactics and implementation, results and impact, and cost effectiveness.

On 30 October 2008, The Link was presented the Prime Awards for Corporate Social Responsibility 2008 for its two corporate citizenship programmes — "The Link Fun Academy" and "The Link Tenant Academy". This award, organised by the Prime Communications Limited and the Hong Kong Institute of Directors, was in recognition for The Link's efforts and involvement in building happy and harmonious communities and forming a bond of partnership with its tenants. The Link scored high in a number of judging criteria including the initiative and readiness for taking up corporate social responsibility, the willingness to support charitable causes, showing concerns on social needs, encouraging volunteer work and building up partnership etc.

Under "The Link Fun Academy", many children and their families have enjoyed enlightening opportunities in exploring and learning a wide range of topics, including music, dancing, painting, mosaic art, sculpture, dramas and films, traditional artwork, physical training, history and culture etc. "The Link Tenant Academy", on the other hand, aims to strengthen our partnership with tenants. It provides the value-add services by keeping our tenants abreast of latest market information, management concepts, industry trends and retail techniques through talks and seminars conducted by industry experts or veteran trainers.

On 5 November 2008, The Link was presented the "Brand-with-a-Conscience Award" by Hong Kong Institute of Marketing in recognition of its success in obtaining a good standard in the "Six Principles of Business Conscience", covering areas including business ethics, corporate governance, fair trade and business practices, caring work environment, environmental care and community care.



## Management Discussion and Analysis (continued)

### Appreciation

With effect from 12 October 2008, Mr Leslie CHAO Tse Hou resigned as an Independent Non-Executive Director and a member of the Finance and Investment Committee of the Manager due to his business and other commitments. On 1 November 2008, Mr PUA Seck Guan was replaced as a Non-Executive Director as CapitaLand Limited had nominated Mr LIM Beng Chee in his place.

The Board would like to take this opportunity to express its deep appreciation to Mr Chao and Mr Pua for their valuable contributions to the Manager and The Link REIT during their tenure of office.

### Prospects

The current financial turmoil makes it very difficult to discern how our market will develop over the coming months. We will focus on keeping to our strategy. We continue to make progress with our asset enhancement projects and have seen good tenant take-up in the properties where the enhancement works have been completed. We are encouraged by the good financial results achieved for the six months ended 30 September 2008 and we will continue with the programme to ensure that the other continuing projects achieve similar results. We will as always endeavour to ensure that the work continues with minimal disruption to tenants and customers.

Asset repositioning and changes and upgrades to trade and tenant mix is very much part of the evolution of our shopping centres and together with asset enhancement work will help us progressively increase rental income through rental reversion as the leasing cycle reverts.

Underpinning our success with our existing portfolio and coupled with our strong financial fundamentals, we will selectively consider other accretive investments to expand our portfolio and maximise unitholders' return as and when potential opportunities arise.

We remain very committed and focused and endeavour to work for the benefit of all our unitholders, tenants and the community in which we serve.

**Nicholas Robert SALLNOW-SMITH**

*Chairman*

**The Link Management Limited  
as Manager of The Link Real Estate  
Investment Trust**

12 November 2008

# Corporate Governance

With the objectives of establishing and maintaining high standards of corporate governance, the Manager is committed to certain policies and procedures to ensure that The Link REIT is well-managed and operates in a transparent manner. Set out below is a summary of the key components of the corporate governance policies that have been adopted by the Manager and The Link REIT.

## Authorisation Structure

The Link REIT is a collective investment scheme authorised by the SFC under section 104 of the Securities and Futures Ordinance (the "SFO") and regulated by the provisions of the Code on Real Estate Investment Trusts issued by the SFC (the "REIT Code").

The Manager which was established to manage the portfolio of The Link REIT is licensed under the SFO to carry on regulated activity of asset management. HSBC Institutional Trust Services (Asia) Limited, the trustee of The Link REIT (the "Trustee") is a registered trust company for collective investment schemes under the SFO and the REIT Code. The Trustee is responsible for the safe custody of the assets of The Link REIT. The Link REIT has adopted an internalised management structure whereby the Trustee holds all the issued shares of the Manager for the benefit of unitholders of The Link REIT ("Unitholders").

## Compliance

During the period ended 30 September 2008, the Manager and The Link REIT has complied with the provisions of the REIT Code, the relevant provisions of the SFO, the relevant sections of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the trust deed dated 6 September 2005 between the Trustee and the Manager constituting The Link REIT as amended and supplemented from time to time by supplemental deeds (the "Trust Deed") and the requirements and procedures laid down in the compliance manual of the Manager adopted for use in relation to the management of The Link REIT. The Board has reviewed and accepted the quarterly compliance reports which were examined and endorsed by the Audit Committee.

The Manager and The Link REIT have also met the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, where appropriate.

## Dealings in Securities of The Link REIT by Directors and Senior Executives of the Manager

The Manager adopts a stringent code to govern Director dealings in the Units which is comparable to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Each Director of the Manager has confirmed that he has complied with the required standard set out in the code adopted by the Manager throughout the period.

## Corporate Governance (continued)

### The Board of Directors

The Board oversees the management of the Manager's affairs and the conduct of its business and is responsible for the overall governance of the Manager. It leads and guides the Manager's corporate strategy and direction and is functioning separately from, and independent of, the executive management. Pursuant to the Manager's corporate governance policy, at least half of the Directors of the Board are required to be Independent Non-Executive Directors ("INEDs"). As at 30 September 2008, the Board comprises fourteen (14) members, eight (8) of whom are INEDs, four (4) are Non-Executive Directors and the Chief Executive Officer and Chief Financial Officer are Executive Directors. The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties.

With effect from 12 October 2008, Mr Leslie CHAO Tse Hou resigned as an Independent Non-Executive Director and a member of the Finance and Investment Committee of the Manager. On 1 November 2008, Mr PUA Seck Guan was replaced as a Non-Executive Director as CapitaLand Limited had nominated Mr LIM Beng Chee in his place.

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience to lead and guide the Manager.

### Purchase, Sale or Redemption of The Link REIT's Listed Units

A general mandate for repurchase of units of The Link REIT in the open market was given by Unitholders at the Annual General Meeting held on 29 July 2008. As of 30 September 2008, neither the Manager nor any of The Link REIT's subsidiaries has purchased any Units pursuant to this mandate.

### Review of Financial Results

The interim results of The Link REIT for the six months ended 30 September 2008 have been reviewed by the Audit Committee and approved by the Board at its meeting on 12 November 2008. The interim financial information has also been reviewed by The Link REIT's auditor in accordance with 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.

### Investor Relations

In accordance with good corporate governance and transparency, The Link REIT has continuously communicated with both the stakeholders and the Unitholders during the period.

## Corporate Governance (continued)

Since 1 April 2008, the Manager has participated in the following roadshows and investors' conferences:

Month	Event	Organiser	Venue
March–April 2008	Asian Investment Conference 2008	Credit Suisse	Hong Kong
June 2008	Post Final Results Roadshow	JP Morgan	Hong Kong, Singapore, London
July 2008	Hong Kong Property Access Day	CLSA	Hong Kong
July 2008	The “Pulse of Asia” Conference	DBS Vickers	Singapore
July 2008	Defensive/High Yield Plays Corporate Day	BNP Paribas Securities	Hong Kong
July–August 2008	Post Final Results Roadshow	Macquarie	Sydney
August 2008	Post Final Results Roadshow	Daiwa	Tokyo
September 2008	Hong Kong/China Property Day 2008	UBS	Hong Kong
September 2008	15th Annual Investors' Forum	CLSA	Hong Kong

The Manager will continue to participate in roadshows and investors' conferences to enhance The Link REIT's relationship with the investor community and investors' understanding of The Link REIT's operations and development.

# Long Term Incentive Plan

The Long Term Incentive Plan (the "LTI Plan") was approved by Unitholders on 23 July 2007 pursuant to which equity incentives, in the form of Restricted Unit Awards, Unit Options and Conditional Cash Awards (each individually referred to as an "Award" and collectively as "Awards"), may be granted to the Directors and key employees of the Manager.

Further details with respect to the terms and conditions of the LTI Plan have been set out on pages 93 to 94 of The Link REIT's 2008 Annual Report.

Since the launch of the LTI Plan, no Unit Options have been granted. Set out below is information relating to the Restricted Unit Awards and Conditional Cash Awards which were granted and remains outstanding as at 30 September 2008:

## Restricted Unit Awards

Name (Position)	Date of grant	Vesting period	Outstanding at 1 Apr 2008 <sup>1</sup>	Granted during the period <sup>1</sup>	Vested during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 Sep 2008 <sup>1</sup>	Closing price of the units immediately before the date of grant <sup>2</sup>
Nicholas Robert SALLNOW-SMITH (Director)	24 Jul 2007	24 Jul 2007 to 23 Jul 2010	294,000	—	—	—	—	294,000	HK\$16.78
Ian David Murray ROBINS (Director)	24 Dec 2007	24 Dec 2007 to 23 Jul 2010	2,292,000	—	—	—	—	2,292,000	HK\$16.98
	24 Dec 2007	24 Dec 2007 to 23 Jul 2011	1,635,000	—	—	—	—	1,635,000	HK\$16.98
	24 Dec 2007	24 Dec 2007 to 23 Jul 2012	1,635,000	—	—	—	—	1,635,000	HK\$16.98
CHEW Fook Aun (Director)	24 Jul 2007	24 Jul 2007 to 23 Jul 2010	573,000	—	—	—	—	573,000	HK\$16.78
Michael Ian ARNOLD (Director)	24 Jul 2007	24 Jul 2007 to 23 Jul 2010	103,500	—	—	—	—	103,500	HK\$16.78
Leslie CHAO Tse Hou <sup>3</sup> (Director)	24 Jul 2007	24 Jul 2007 to 23 Jul 2010	78,000	—	—	—	—	78,000	HK\$16.78
Anthony CHOW Wing Kin (Director)	24 Jul 2007	24 Jul 2007 to 23 Jul 2010	85,500	—	—	—	—	85,500	HK\$16.78
Patrick FUNG Yuk Bun (Director)	24 Jul 2007	24 Jul 2007 to 23 Jul 2010	103,500	—	—	—	—	103,500	HK\$16.78
Stanley KO Kam Chuen (Director)	24 Jul 2007	24 Jul 2007 to 23 Jul 2010	78,000	—	—	—	—	78,000	HK\$16.78
Allan ZEMAN (Director)	24 Jul 2007	24 Jul 2007 to 23 Jul 2010	85,500	—	—	—	—	85,500	HK\$16.78

## Long Term Incentive Plan (continued)

Name (Position)	Date of grant	Vesting period	Outstanding at 1 Apr 2008 <sup>1</sup>	Granted during the period <sup>1</sup>	Vested during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 Sep 2008 <sup>1</sup>	Closing price of the units immediately before the date of grant <sup>2</sup>
Other Participants in aggregate	24 Jul 2007	24 Jul 2007 to 23 Jul 2010	4,183,500	—	—	—	(525,000)	3,658,500	HK\$16.78
	10 Jan 2008	10 Jan 2008 to 23 Jul 2010	205,500	—	—	—	—	205,500	HK\$17.20
	10 Jan 2008	10 Jan 2008 to 23 Jul 2011	205,500	—	—	—	—	205,500	HK\$17.20
	10 Jan 2008	10 Jan 2008 to 23 Jul 2012	205,500	—	—	—	—	205,500	HK\$17.20
	5 May 2008	5 May 2008 to 4 May 2010	NA	828,000	—	—	—	828,000	HK\$18.88
	5 May 2008	5 May 2008 to 4 May 2011	NA	828,000	—	—	—	828,000	HK\$18.88
	5 May 2008	5 May 2008 to 4 May 2012	NA	828,000	—	—	—	828,000	HK\$18.88
Total			11,763,000	2,484,000	—	—	(525,000)	13,722,000	

## Notes:

- The figures stated are the maximum number of units that may be vested under the respective Restricted Unit Awards. The number of units that will be finally vested can range from zero to the maximum number as stated herein depending on whether, and the extent to which, the relevant vesting conditions are met.
- The figures stated are the closing price of the units on the Hong Kong Stock Exchange trading day immediately before the date of grant of the Restricted Unit Awards.
- Mr Leslie CHAO Tse Hou resigned as Independent Non-executive Director of the Manager with effect from 12 October 2008.
- Upon vesting of the Restricted Unit Awards, each of the Participants will be entitled to receive a Conditional Cash Award which represents a cash amount equivalent to the aggregate of the distributions per unit to unitholders during the vesting period, multiplied by the number of units that will vest (assuming the vesting conditions are satisfied or waived, as the case may be). At the period end, the weighted average value carried by each of the Conditional Cash Award is HK83.21 cents per unit.

Based on the maximum number of units to be issued upon vesting of 13,722,000 units and the last traded price of The Link REIT's units on the Hong Kong Stock Exchange at the period end of HK\$16.02, the value of the units as at 30 September 2008 would be approximately HK\$220 million. Based on the terms for the above grant of Restricted Unit Awards, if the average price of the units for the stipulated period prior to vesting remains at HK\$16.02, 355,500 units of the Restricted Unit Awards and Conditional Cash Awards will vest.

The Restricted Unit Awards and the Conditional Cash Awards are to be expensed through the Group's consolidated income statement or capitalised under investment properties, where appropriate, over the vesting periods.

# Disclosure of Interests and Holdings of Connected Persons

## Holdings of Substantial Unitholders and Directors

The Link REIT has a disclosure of interests regime whereby certain provisions of Part XV of the SFO are incorporated into The Trust Deed of The Link REIT and are applicable to The Link REIT as if The Link REIT is a company with its shares listed on the Hong Kong Stock Exchange. Pursuant to the Third Schedule to the Trust Deed, any person who is interested in 5% or more of the Units in issue of The Link REIT will have a notifiable interest and a duty of disclosure in respect of any acquisition of, cessation of or changes in such interest.

According to the disclosure of interests to the Manager and the Hong Kong Stock Exchange made pursuant to the provisions of Part XV of the SFO, persons having 5% or more interests in the Units of The Link REIT as at 30 September 2008 are as follows:

Persons having 5% or more interests	Capacity in which interests disclosed are held	Number of Units Long Position (L)/ Short Position (S)	Percentage <sup>4</sup> (%)
The Children's Investment Master Fund	Beneficial owner	(L) 392,279,500 <sup>1</sup>	18.35
The Children's Investment Fund Management (UK) LLP	Investment manager	(L) 392,279,500 <sup>1</sup>	18.35
Deutsche Bank Aktiengesellschaft	Beneficial owner	(L) 18,883,551 <sup>2</sup> (S) 2,627,320 <sup>2</sup>	0.87 0.12
Deutsche Bank Aktiengesellschaft	Investment manager	(L) 28,571,604 <sup>2</sup>	1.32
Deutsche Bank Aktiengesellschaft	Person having a security interest in units	(L) 122,915,999 <sup>2</sup>	5.69
Franklin Mutual Advisers, LLC	Investment manager	(L) 146,067,480 <sup>3</sup>	6.77

### Notes:

- According to the register maintained by the Manager pursuant to the Third Schedule to the Trust Deed, The Children's Investment Fund Management (UK) LLP ("TCI") is the investment manager of The Children's Investment Master Fund and is accordingly deemed to be interested in the Units of The Link REIT held by The Children's Investment Master Fund. For the purpose of disclosure of interests as a connected person to The Link REIT, The Children's Investment Master Fund and The Children's Investment Fund Management (UK) LLP have separately advised the Manager that they have increased their interest in Units of The Link REIT to 400,226,085 units as at 30 September 2008, representing 18.49% of the Units in issue on that date.
- Deutsche Bank Aktiengesellschaft gave notice on 22 October 2008 that it had an interest in 189,209,044 units of The Link REIT and a short position of 12,219,003 units of The Link REIT on 16 October 2008, representing 8.74% and 0.56% respectively of the units in issue. Regarding the long position of 189,209,044 units, 6,496,345 units were held in the capacity of beneficial owner, 39,536,500 units were held in the capacity of investment manager, and 143,176,199 units were held in the capacity of person having a security interest in units. Regarding the short position of 12,219,003 units, 5,905,803 units were held in the capacity of beneficial owner and 6,313,200 units were held in the capacity of person having a security interest in units.
- Franklin Mutual Advisers, LLC gave notice on 28 October 2008 that it had an interest in 152,090,463 units of The Link REIT on 27 October 2008, representing 7.03% of the units in issue.
- The percentage set out in the table refers to the percentage as specified in the respective disclosure of interests forms or as calculated based on the units in issue on the date of relevant event (as specified in the respective disclosure of interests forms).

## Disclosure of Interests and Holdings of Connected Persons (continued)

According to the disclosure of interests to the Manager and the Hong Kong Stock Exchange made pursuant to the provisions of Part XV of the SFO and the register kept by the Manager, directors' interests acquired pursuant to the LTI Plan are set out in "Long Term Incentive Plan" section on pages 19–20.

Save as disclosed above and so far as the Manager is aware, none of the Directors of the Manager were interested in units or held any short position in units of The Link REIT save and except that Dr Patrick FUNG Yuk Bun, an Independent Non-Executive Director of the Manager, is deemed to be interested in 100,000 units as at 30 September 2008 by virtue of his association with Wing Hang Bank Limited as disclosed below.

### Holdings of Connected Persons

Upon making reasonable enquiry and according to information available to the Manager, the following persons, being connected persons (as defined under the REIT Code) to The Link REIT, held units of The Link REIT set out below as at 30 September 2008:

Name	Number of Units	Percentage (%)
The Children's Investment Master Fund <sup>1</sup>	400,226,085	18.49
HSBC Group <sup>2</sup>	1,315,670	0.61
CapitaLand Retail Hong Kong Investments Pte Limited <sup>3</sup>	45,437,000	2.10
CapitaLand Retail Hong Kong Investments Two (BV) Limited <sup>3</sup>	22,718,500	1.05
Wing Hang Bank, Limited <sup>4</sup>	100,000	0.00

#### Notes:

- The Children's Investment Master Fund is a connected person as it is a significant holder (as defined under the REIT Code). Mr John HO Chi On, a Non-Executive Director of the Manager, is also currently a Director of The Children's Investment Fund Management (Asia) Limited. He heads up TCI's office in Hong Kong and is responsible for TCI's Asia-Pacific investment activities. According to information available to the Manager, its unitholding as at 30 September 2008 remains unchanged as compared with the position as at 31 March 2008.
- The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries ("HSBC Group") are connected persons to The Link REIT as HSBC Institutional Trust Services (Asia) Limited, the Trustee of The Link REIT, is an indirect subsidiary of The Hongkong and Shanghai Banking Corporation Limited. According to information available to the Manager, HSBC Group's unitholding as at 30 September 2008, increased by 532,307 units as compared with 31 March 2008.
- CapitaLand Retail Hong Kong Investments Pte Limited and CapitaLand Retail Hong Kong Investments Two (BV) Limited are connected persons to The Link REIT as Mr PUA Seck Guan is a common director of CapitaLand Retail Hong Kong Investments Pte Limited, CapitaLand Retail Hong Kong Investments Two (BV) Limited and the Manager. According to information available to the Manager, their unitholding as at 30 September 2008 remains unchanged as compared with the position as at 31 March 2008.
- Wing Hang Bank, Limited is a connected person as Dr Patrick FUNG Yuk Bun, Chairman of Wing Hang Bank, Limited, is also a Director of the Manager. According to information available to the Manager, its unitholding as at 30 September 2008 remains unchanged as compared with the position as at 31 March 2008.



# Connected Party Transactions

Chapter 8 of the REIT Code governs transactions between a real estate investment trust and its connected persons and such transactions will constitute connected party transactions for the purpose of the REIT Code.

## Waivers from Strict Compliance

Waivers from strict compliance with the disclosure and unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain connected party transactions entered into by The Link REIT with its connected persons (the "Waivers") have been granted by the SFC upon listing of The Link REIT and on 26 October 2007. The Waivers have been granted subject to terms and conditions including, inter alia, that transactions should be at arm's length on normal commercial terms, with specific caps on transaction amounts or fees paid, to be reviewed by auditor and the Audit Committee and approved by the Board (the "Waiver Conditions"). During the period under review, The Link REIT has complied with the Waiver Conditions.

## Income

The following table sets out the income derived from connected party transactions during the reporting period.

Name of Connected Person	Relationship with The Link REIT	Nature of the Transaction	Income derived HK\$'M
HSBC Group <sup>1</sup>	Trustee's connected person	Tenancy contract <sup>3</sup>	7.7 <sup>4</sup>
HSBC Group <sup>1</sup>	Trustee's connected person	Interest income	1.0
ICBC (Asia) <sup>2</sup>	Associate of a Director of the Manager	Tenancy contract <sup>3</sup>	1.7 <sup>4</sup>

### Notes:

- HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries. The Hongkong and Shanghai Banking Corporation Limited is the indirect holding company of the Trustee and, therefore, HSBC Group is a connected person to The Link REIT.
- Professor Richard WONG Yue Chim is a common director of Industrial and Commercial Bank (Asia) Limited ("ICBC (Asia)") and the Manager. ICBC (Asia) has, therefore, become a connected person to The Link REIT upon Professor WONG's appointment as an Independent Non-Executive Director of the Manager on 3 September 2007.
- For shops and ATM installation at various locations.
- Amount excluding deposit received.

## Connected Party Transactions (continued)

## Expenses

The following table sets out the expenses incurred on connected party transactions during the reporting period.

Name of Connected Person	Relationship with The Link REIT	Nature of the Transaction	Expenses Incurred HK\$'M
The Link Management Limited	The Manager <sup>1</sup>	Management fee	128.0
HSBC Institutional Trust Services (Asia) Limited	The Trustee <sup>2</sup>	Trustee fee	1.8
Knight Frank Petty Group <sup>3</sup>	Principal Valuer	Valuation fee	1.0
		Property Consultancy fees	1.8
HSBC Group	Trustee's connected person	Loan interest and bank charges	18.7
		Staff benefits consultation fees	1.4
ICBC (Asia)	Associate of a Director of the Manager	Loan interest and bank charges	2.2
Aedas Limited <sup>4</sup>	Associate of a Director of the Manager	Architectural and renovation consultancy service fees	2.4
Hong Kong Youth Arts Foundation <sup>5</sup>	Associate of the Chairman of the Manager	Project fee for Mosaic Art Pieces decoration	0.3

## Notes:

- The Manager, as an internalise management company of The Link REIT, recovers its expenses from The Link REIT on a cost recovery principle.
- The Trustee is entitled to charge an annual fee at a rate of 0.008% per annum of the latest property value as determined in the latest annual valuation report of the independent valuer, subject to a minimum of HK\$150,000 per month.
- Knight Frank Petty Limited and its subsidiaries (collectively referred to as the "Knight Frank Petty Group") have become a connected persons to The Link REIT upon Knight Frank Petty Limited's appointment as the Principal Valuer of The Link REIT on 14 February 2008.
- Mr Ian Keith GRIFFITHS, a Non-Executive Director of the Manager, is the Chairman of Aedas Limited. Aedas Limited has, therefore, become a connected person to The Link REIT upon Mr GRIFFITHS's appointment as a Non-Executive Director of the Manager.
- Mr Nicholas Robert SALLNOW-SMITH, Chairman of the Manager is also the Chairman of Hong Kong Youth Arts Foundation, a charitable organisation, and, therefore, Hong Kong Youth Arts Foundation was a connected person to The Link REIT.

## Connected Party Transactions (continued)

### Lease Transactions

The Link REIT has during the period entered into tenancy contracts and/or licenses with HSBC Group and ICBC (Asia) for lease of retail shops and areas for the installation of ATMs at various properties of The Link REIT.

The following table sets out information on lease transactions with connected persons with annual rent exceeding HK\$1 million.

Name of Tenant	Relationship with The Link REIT	Nature of the Transaction	Material Terms	Annual Income <sup>1</sup> HK\$'M
Hang Seng Bank Limited <sup>2</sup>	Trustee's connected person	Tenancy for shop No. S31D at Lok Fu Shopping Centre	Term of 3 years and expires on 31/10/2010	1.9
ICBC (Asia)	Associate of a Director of the Manager	Tenancy for shops F18 & F19 A-C at Oi Man Shopping Centre	Term of 3 years and expires on 31/08/2009	1.0
		Tenancy for shop No. 216 at Tai Wo Shopping Centre	Term of 3 years and expires on 15/09/2009	1.2

#### Notes:

- The annual income stated refers to the rental income that would have been received for a 12-month period starting from the beginning of the financial year which ended on 31 March 2009 or in accordance with the tenure of the tenancy/licence agreement if the remaining term is shorter than 12 months.
- Hang Seng Bank Limited is a subsidiary of The Hongkong and Shanghai Banking Corporation Limited and, therefore, a connected person to The Link REIT.

## Connected Party Transactions (continued)

### Corporate Finance Transactions

The Hongkong and Shanghai Banking Corporation Limited and ICBC (Asia) were lenders of a syndicated loan facility made available to The Link Finance Limited, an indirect and wholly owned subsidiary of The Link REIT, in August 2006. The outstanding balances due to The Hongkong and Shanghai Banking Corporation Limited and ICBC (Asia) pursuant to this syndicated loan were HK\$598 million and HK\$184 million, respectively as at 30 September 2008.

The Hongkong and Shanghai Banking Corporation Limited has also provided a 1-year term loan facility to The Link Finance Limited on 1 August 2008 and the outstanding balance due pursuant to this loan was HK\$200 million as at 30 September 2008.

In addition, The Link Finance Limited has entered into interest rate swap contracts with The Hongkong and Shanghai Banking Corporation Limited during the reporting period. The total notional principal outstanding in respect of such swap contracts with The Hongkong and Shanghai Banking Corporation Limited were HK\$2 billion as at 30 September 2008.

### Confirmation by the Manager

The Manager confirms that all the above transactions were entered into at arm's length on normal commercial terms and in the ordinary course of business of The Link REIT.

# Progress Report on the Title Transfer of the Properties

## I. Properties with both legal and beneficial title held by the scheme as at 12 November 2008

1. Butterfly Shopping Centre
2. Cheung Fat Shopping Centre
3. Retail and Carpark within Cheung On Estate
4. Cheung Wah Shopping Centre
5. Retail and Carpark within Ching Wah Court
6. Carpark within Ching Wang Court
7. Retail and Carpark within Choi Ha Estate
8. Choi Ming Shopping Centre
9. Choi Yuen Shopping Centre
10. Carpark within Chuk Yuen (North) Estate
11. Chung Fu Shopping Centre
12. Chung On Shopping Centre
13. Fu Cheong Shopping Centre
14. Fu Heng Shopping Centre
15. Fu Shin Shopping Centre
16. Fu Tai Shopping Centre
17. Carpark within Fung Lai Court
18. Fung Tak Shopping Centre
19. Retail and Carpark within Fung Wah Estate
20. Hau Tak (II) Shopping Centre
21. Heng On Commercial Centre
22. Hin Keng Shopping Centre
23. Hing Tin Commercial Centre
24. Hing Wah Shopping Centre
25. Hiu Lai Shopping Centre
26. Ho Man Tin Plaza
27. Hoi Fu Shopping Centre
28. Carpark within Hong Keung Court
29. Retail and Carpark within Hong Pak Court
30. Retail and Carpark within Hong Shui Court
31. Retail and Carpark within Hong Yat Court
32. Carpark within Ka Tin Court
33. Carpark within Kam On Court
34. Kam Tai Shopping Centre
35. Kam Ying Court Shopping Centre
36. Kin Sang Shopping Centre
37. Carpark within King Lai Court
38. King Lam Shopping Centre
39. Retail and Carpark within Ko Chun Court
40. Kwai Hing Shopping Centre
41. Carpark within Kwai Hong Court
42. Kwong Tin Shopping Centre
43. Kwong Yuen Shopping Centre
44. Lei Cheng Uk Shopping Centre
45. Lei Tung Commercial Centre
46. Leung King Shopping Centre
47. Retail and Carpark within Lok Nga Court
48. Long Ping Commercial Centre
49. Carpark within Lower Wong Tai Sin (I) Estate
50. Retail and Carpark within Mei Chung Court
51. Carpark within Ming Nga Court
52. Retail and Carpark within Nam Cheong Estate
53. Carpark within Ning Fung Court
54. Oi Man Shopping Centre
55. Oi Tung Shopping Centre
56. On Yam Shopping Centre
57. Carpark within Pang Ching Court
58. Po Hei Court Commercial Centre
59. Po Lam Shopping Centre
60. Retail and Carpark within Po Nga Court
61. Carpark within Po Pui Court
62. Carpark within San Wai Court
63. Sau Mau Ping Shopping Centre
64. Carpark within Sau Mau Ping (I) Estate
65. Retail and Carpark within Sau Mau Ping (III) Estate
66. Shan King Commercial Centre
67. Sheung Tak Shopping Centre
68. Siu Hei Commercial Centre
69. Siu Lun Shopping Centre
70. Retail and Carpark within Siu On Court
71. Sui Wo Court Commercial Centre
72. Retail and Carpark within Tai Ping Estate
73. Tai Wo Shopping Centre
74. Tak Tin Shopping Centre
75. Carpark within Tin King Estate
76. Tin Chak Shopping Centre
77. Tin Ma Court Commercial Centre
78. Tin Ping Shopping Centre

## Progress Report on the Title Transfer of the Properties (continued)

79. Tin Shing Shopping Centre
80. Retail and Carpark within Tin Wang Court
81. Carpark within Tin Yau Court
82. Tin Yiu Shopping Centre
83. Retail and Carpark within Tong Ming Court
84. Tsing Yi Commercial Complex
85. Tsui Lam Shopping Centre
86. Tsui Ping North Shopping Circuit
87. Retail and Carpark within Tsui Wan Estate
88. Tsz Ching Shopping Centre (I) & (II)
89. Retail and Carpark within Tsz Oi Court
90. Retail and Carpark within Tung Hei Court
91. Retail and Carpark within Tung Tau Estate
92. Lung Cheung Mall
93. Wah Kwai Shopping Centre
94. Carpark within Wah Lai Estate
95. Wah Ming Shopping Centre
96. Wan Tau Tong Shopping Centre
97. Carpark within Wang Fuk Court
98. Wo Che Commercial Centre
99. Retail and Carpark within Wo Ming Court
100. Retail and Carpark within Yan Ming Court
101. Retail and Carpark within Yan Shing Court
102. Yau Mei & Ko Cheung (Lei Yue Mun Plaza)
103. Carpark within Yee Kok Court
104. Carpark within Yee Nga Court
105. Yin Lai Court Shopping Centre
106. Retail and Carpark within Ying Fuk Court
107. Carpark within Ying Ming Court
108. Yiu On Shopping Centre
109. Yu Chui Shopping Centre
110. Carpark within Yue On Court
111. Yung Shing Shopping Centre
112. Siu Sai Wan Shopping Centre
113. Wong Tai Sin Shopping Centre
114. Chuk Yuen Shopping Centre
115. Tin Tsz Shopping Centre
116. Tai Yuen Commercial Centre
117. Tin Shui Shopping Centre
118. Lek Yuen Commercial Complex
119. Lok Fu Shopping Centre
120. Tsz Lok (Tsz Wan Shan Shopping Centre)
121. Carpark within Tsz Man Estate
122. Sun Tin Wai Commercial Centre
123. Ka Fuk Shopping Centre
124. Carpark within Upper Ngau Tau Kok Estate
125. Lee On Shopping Centre
126. Sha Kok Commercial Centre

## Progress Report on the Title Transfer of the Properties (continued)

## II. Properties with beneficial title held by the scheme as at 12 November 2008

- |   |  |
|---|--|
| 127. Retail and Carpark within Ap Lei Chau Estate     | 154. On Ting Commercial Complex                |
| 128. Cheung Hang Shopping Centre                      | 155. Ping Tin Shopping Centre                  |
| 129. Cheung Hong Commercial Centre                    | 156. Po Tat Shopping Centre                    |
| 130. Retail and Carpark within Cheung Wang Estate     | 157. Po Tin Shopping Centre                    |
| 131. Retail and Carpark within Choi Fai Estate        | 158. Sam Shing Commercial Centre               |
| 132. Choi Wan Commercial Complex                      | 159. Shek Lei Shopping Centre Phase I          |
| 133. Chun Shek Shopping Centre                        | 160. Shek Lei Shopping Centre Phase II         |
| 134. Fortune Shopping Centre                          | 161. Shek Wai Kok Commercial Centre            |
| 135. Fu Tung Shopping Centre                          | 162. Shek Yam Shopping Centre                  |
| 136. Hing Man Commercial Centre                       | 163. Shun Lee Commercial Centre                |
| 137. Hing Tung Shopping Centre                        | 164. Shun On Commercial Centre                 |
| 138. Retail and Carpark within Hung Hom Estate        | 165. Retail and Carpark within Shun Tin Estate |
| 139. Kai Tin Shopping Centre                          | 166. Sun Chui Shopping Centre                  |
| 140. Kai Yip Commercial Centre                        | 167. Tai Hing Commercial Centre                |
| 141. Carpark within Kin Ming Estate                   | 168. Tai Wo Hau Commercial Centre              |
| 142. Retail and Carpark within Ko Yee Estate          | 169. Retail and Carpark within Tin Wah Estate  |
| 143. Kwai Fong Shopping Centre                        | 170. Tin Wan Shopping Centre                   |
| 144. Kwai Shing East Shopping Centre                  | 171. Retail and Carpark within Tin Yat Estate  |
| 145. Kwong Fuk Commercial Centre                      | 172. Carpark within Tin Yuet Estate            |
| 146. Lai Kok Shopping Centre                          | 173. Carpark within Tsui Ping South Estate     |
| 147. Carpark within Lai On Estate                     | 174. Un Chau Shopping Centre                   |
| 148. Lok Wah Commercial Centre                        | 175. Wah Sum Shopping Centre                   |
| 149. Retail and Carpark within Lok Wah (South) Estate | 176. Wan Tsui Commercial Complex               |
| 150. Lung Hang Commercial Centre                      | 177. Wang Tau Hom (Wang Fai Centre)            |
| 151. Stanley Plaza                                    | 178. Yat Tung Shopping Centre                  |
| 152. Mei Lam Commercial Centre                        | 179. Yau Oi Commercial Centre                  |
| 153. Ming Tak Shopping Centre                         | 180. Yiu Tung Shopping Centre                  |

# Auditor's Review Report



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22nd Floor, Prince's Building  
Central, Hong Kong

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF THE LINK MANAGEMENT LIMITED  
(as "Manager" of THE LINK REAL ESTATE INVESTMENT TRUST)**

## Introduction

We have been instructed by the Manager to review the interim financial information of The Link Real Estate Investment Trust ("The Link REIT") set out on pages 32 to 55, which comprises the condensed consolidated balance sheet of The Link REIT and its subsidiaries (together, the "Group") as at 30 September 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and net assets attributable to unitholders, the condensed consolidated statement of cash flows and the statement of distributions for the six-month period then ended and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Manager are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Auditor's Review Report (continued)

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

#### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 12 November 2008

# Condensed Consolidated Income Statement

For the six months ended 30 September 2008

	Note	Six months ended 30 September 2008 (Unaudited) HK\$'M	Six months ended 30 September 2007 (Unaudited) HK\$'M
Revenues	4	2,203	2,056
Property operating expenses	6	(854)	(813)
Net property income		1,349	1,243
General and administrative expenses		(56)	(47)
Change in fair values of investment properties		(464)	2,655
Operating profit	7	829	3,851
Interest income		24	39
Finance costs on interest bearing liabilities	8	(253)	(310)
Profit before taxation and transactions with unitholders		600	3,580
Taxation	10	244	(602)
Profit for the period, before transactions with unitholders	11	844	2,978
Distributions paid to unitholders (Note (iii))		(826)	(739)
		18	2,239
Represented by:			
Change in net assets attributable to unitholders, excluding issues of new units		(8)	2,283
Amount arising from cash flow hedging reserve movement	21	26	(44)
		18	2,239

The notes on pages 37 to 55 are an integral part of these condensed consolidated interim financial information.

Notes:

- (i) Total Distributable Income for the six months ended 30 September 2008 is determined in the Statement of Distributions. The interim distribution declared in respect of this financial period as set out in the Statement of Distributions will be paid out to unitholders on or about 23 January 2009.
- (ii) Earnings per unit, based upon profit for the period and before transactions with unitholders and the weighted average number of units in issue, is set out in Note 11 to the condensed consolidated interim financial information.
- (iii) This represents the final distribution of HK\$826 million for the year ended 31 March 2008 (2007: HK\$739 million) paid during the period.

# Statement of Distributions

For the six months ended 30 September 2008

	Note	Six months ended 30 September 2008 (Unaudited) HK\$'M	Six months ended 30 September 2007 (Unaudited) HK\$'M
Profit for the period, before transactions with unitholders		844	2,978
Adjustments:			
Change in fair values of investment properties		464	(2,655)
Deferred taxation on change in fair values of investment properties	10	(77)	465
Deferred taxation on change in tax rate	10	(341)	—
Other non-cash income		(6)	(12)
<b>Total Distributable Income (Note (i))</b>		<b>884</b>	<b>776</b>
Interim distribution for the period, to be paid to the unitholders (Note (ii))		884	776
As a percentage of Total Distributable Income		100%	100%
Units in issue as at 30 September	20	2,163,861,896	2,148,434,317
Distribution per unit to unitholders for the period (Note (iii))		HK40.86 cents	HK36.11 cents

The notes on pages 37 to 55 are an integral part of these condensed consolidated interim financial information.

Notes:

- (i) Under the terms of the Trust Deed, the Total Distributable Income is the consolidated profit after tax attributable to unitholders (equivalent to profit for the period, before transactions with unitholders) adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the consolidated income statement for the relevant period.
- (ii) Pursuant to the Trust Deed, The Link Real Estate Investment Trust is required to ensure that the total amount distributed to unitholders as distributions for each financial period shall be no less than 90% of Total Distributable Income, plus at its discretion, any other additional amount that the Manager determines is distributable. The Manager intends to distribute 100% of Total Distributable Income as the distribution for the six months ended 30 September 2008. The interim distribution will be paid to unitholders on or about 23 January 2009.
- (iii) The interim distribution per unit of HK40.86 cents for the six months ended 30 September 2008 is calculated based on the interim distribution of HK\$884 million for the period and 2,163,861,896 units in issue as at 30 September 2008. The interim distribution per unit of HK36.11 cents for the six months ended 30 September 2007 is calculated based on the interim distribution of HK\$776 million for the period and 2,148,434,317 units in issue as at 30 September 2007.

# Condensed Consolidated Balance Sheet

As at 30 September 2008

	Note	30 September 2008 (Unaudited) HK\$'M	31 March 2008 (Audited) HK\$'M
<b>Non-current assets</b>			
Goodwill		3,988	3,988
Investment properties	12	44,133	44,307
Property, plant and equipment	13	51	46
		48,172	48,341
<b>Current assets</b>			
Trade and other receivables	14	110	112
Deposits and prepayments		24	25
Short-term bank deposits	15	1,259	1,753
Cash and cash equivalents	15	99	117
		1,492	2,007
<b>Total assets</b>		49,664	50,348
<b>Current liabilities</b>			
Trade payables, receipts in advance and accruals	16	915	858
Security deposits		436	376
Provision for taxation		118	48
Interest bearing liabilities	17	2,696	2,199
		4,165	3,481
<b>Net current liabilities</b>		(2,673)	(1,474)
<b>Total assets less current liabilities</b>		45,499	46,867
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Interest bearing liabilities	17	8,839	9,986
Deferred tax liabilities		5,624	5,976
Long-term incentive plan payable	18	38	20
Other non-current liabilities	19	353	327
		14,854	16,309
<b>Total liabilities, excluding net assets attributable to unitholders</b>		19,019	19,790
<b>Net assets attributable to unitholders</b>		30,645	30,558
Units in issue	20	2,163,861,896	2,158,677,767
Net assets per unit attributable to unitholders		HK\$14.16	HK\$14.16

The notes on pages 37 to 55 are an integral part of these condensed consolidated interim financial information.

On behalf of the Board of Directors of  
The Link Management Limited, as the Manager

**Nicholas Robert SALLNOW-SMITH**  
Chairman  
12 November 2008

**Ian David Murray ROBINS**  
Chief Executive Officer  
12 November 2008

# Condensed Consolidated Statement of Changes in Equity and Net Assets Attributable to Unitholders

For the six months ended 30 September 2008

	Note	Total reserves HK\$'M	Net assets attributable to unitholders HK\$'M	Total HK\$'M
Net assets attributable to unitholders at 1 April 2007		—	26,789	26,789
Issuance of units under distribution reinvestment scheme		—	187	187
Profit for the period ended 30 September 2007, before transactions with unitholders		—	2,978	2,978
Distributions paid to unitholders 2007 final distribution		—	(739)	(739)
Change in fair values of cash flow hedges		44	—	44
Amount arising from cash flow hedging reserve movement		(44)	44	—
Change in net assets attributable to unitholders for the period ended 30 September 2007, excluding issues of new units		—	2,283	2,283
Net assets attributable to unitholders at 30 September 2007		—	29,259	29,259
Net assets attributable to unitholders at 1 April 2008		—	30,558	30,558
Issuance of units under distribution reinvestment scheme		—	95	95
Profit for the period ended 30 September 2008, before transactions with unitholders		—	844	844
Distributions paid to unitholders 2008 final distribution		—	(826)	(826)
Change in fair values of cash flow hedges	21	(84)	—	(84)
Amount transferred to the condensed consolidated income statement	21	58	—	58
Amount arising from cash flow hedging reserve movement	21	26	(26)	—
Change in net assets attributable to unitholders for the period ended 30 September 2008, excluding issues of new units		—	(8)	(8)
Net assets attributable to unitholders at 30 September 2008		—	30,645	30,645

The notes on pages 37 to 55 are an integral part of these condensed consolidated interim financial information.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2008

	<b>Six months ended 30 September 2008 (Unaudited) HK\$'M</b>	Six months ended 30 September 2007 (Unaudited) HK\$'M
<b>Operating activities</b>		
<b>Net cash generated from operating activities</b>	1,401	1,160
<b>Investing activities</b>		
Additions to investment properties	(290)	(140)
Additions to property, plant and equipment	(13)	(6)
Interest income received	30	35
Decrease/(increase) in short-term bank deposits with original maturity of more than three months	494	(197)
<b>Net cash generated from/(used in) investing activities</b>	221	(308)
<b>Financing activities</b>		
Proceeds from interest bearing liabilities, net of transaction costs	1,946	—
Repayment of interest bearing liabilities	(2,600)	—
Interest expenses paid on interest bearing liabilities	(255)	(304)
Distributions paid to unitholders	(731)	(552)
<b>Net cash used in financing activities</b>	(1,640)	(856)
<b>Net decrease in cash and cash equivalents</b>	(18)	(4)
Cash and cash equivalents at the beginning of the period	117	53
<b>Cash and cash equivalents at the end of the period</b>	99	49

The notes on pages 37 to 55 are an integral part of these condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

## 1 Corporate Information

The Link Real Estate Investment Trust (the “Trust” or “The Link REIT”) is an authorised unit trust under section 104 of the Securities and Futures Ordinance. The Link REIT is governed by a trust deed (“Trust Deed”) entered into on 6 September 2005 (as amended and supplemented by the First Supplemental Deed dated 4 November 2005, the Second Supplemental Deed dated 8 November 2005, the Third Supplemental Deed dated 16 January 2006, the Fourth Supplemental Deed dated 21 November 2006, the Fifth Supplemental Deed dated 13 July 2007 and the Sixth Supplemental Deed dated 23 July 2007).

The principal activity of The Link REIT and its subsidiaries (the “Group”) is investment in retail and carpark operations (“RC Operations”). The address of the registered office of the Manager and the Trustee, HSBC Institutional Trust Services (Asia) Limited, is Room 1201–1202, 12th Floor, 9 Queen’s Road Central, 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 2008 has been prepared in accordance with Hong Kong Accounting Standard 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 2008.

## 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 2008.

For the six months ended 30 September 2008, certain new amendments and interpretations issued by HKICPA are effective for accounting periods beginning on or after 1 April 2008.

HKAS 39 and HKFRS 7 Amendments	Reclassification of Financial Assets;
HK(IFRIC)-Int 12	Service Concession Arrangements; and
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The adoption of the above has had no significant effect on the accounting policies or results and financial position of the Group.

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 3 Accounting policies (continued)

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the Group's accounting period beginning on 1 April 2008.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 Amendment	Share-based Payment — Vesting Conditions and Cancellation <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> effective for accounting periods beginning on or after 1 January 2009

<sup>2</sup> effective for accounting periods beginning on or after 1 July 2009

<sup>3</sup> effective for accounting periods beginning on or after 1 July 2008

<sup>4</sup> effective for accounting periods beginning on or after 1 October 2008

The Group is in the process of making an assessment of the impact of these new and revised Hong Kong Financial Reporting Standards ("HKFRS"s) upon initial application. So far, the Manager has concluded that while the adoption of the new or revised HKFRSs may result in new or amended disclosures, these are unlikely to have a significant impact on the Group's results of operations and financial position.



## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 4 Revenues

Revenues recognised during the period comprise:

	<b>Six months ended 30 September 2008 (Unaudited) HK\$'M</b>	Six months ended 30 September 2007 (Unaudited) HK\$'M
Rental income from retail properties	1,586	1,477
Gross rental receipts from car parks	484	456
	2,070	1,933
Other revenues		
Air conditioning service fees	130	121
Other property related income	3	2
	133	123
<b>Total revenues</b>	<b>2,203</b>	<b>2,056</b>

Lease arrangements with tenants provide for base monthly rental charges and recovery of certain outgoings. Additional rents based on business turnover amounting to HK\$32 million (2007: HK\$23 million) have been included in the rental income.

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 5 Segment information

	Retail properties HK\$'M	Carparks HK\$'M	Head office HK\$'M	Total HK\$'M
<b>For the six months ended 30 September 2008 (Unaudited)</b>				
Revenues	1,719	484	—	2,203
Segment results	1,074	275	(56)	1,293
Change in fair values of investment properties	(307)	(157)	—	(464)
Interest income				24
Finance costs on interest bearing liabilities				(253)
Profit before taxation and transactions with unitholders				600
Taxation				244
Profit for the period, before transactions with unitholders				844
Capital expenditure	267	23	13	303
Depreciation	—	—	(7)	(7)
<b>As at 30 September 2008 (Unaudited)</b>				
Segment assets	36,152	8,094	72	44,318
Goodwill				3,988
Short-term bank deposits				1,259
Cash and cash equivalents				99
Total assets				49,664
Segment liabilities	1,084	137	130	1,351
Interest bearing liabilities				11,535
Provision for taxation				118
Deferred tax liabilities				5,624
Long-term incentive plan payable				38
Other non-current liabilities				353
Total liabilities, excluding net assets attributable to unitholders				19,019
Net assets attributable to unitholders				30,645

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 5 Segment information (continued)

	Retail properties HK\$'M	Carparks HK\$'M	Head office HK\$'M	Total HK\$'M
<b>For the six months ended</b>				
<b>30 September 2007 (Unaudited)</b>				
Revenues	1,600	456	—	2,056
Segment results	987	256	(47)	1,196
Change in fair values of investment properties	2,351	304	—	2,655
Interest income				39
Finance costs on interest bearing liabilities				(310)
Profit before taxation and transactions with unitholders				3,580
Taxation				(602)
Profit for the period, before transactions with unitholders				2,978
Capital expenditure	133	7	6	146
Depreciation	—	—	(6)	(6)
<b>As at 31 March 2008 (Audited)</b>				
Segment assets	36,180	8,234	76	44,490
Goodwill				3,988
Short-term bank deposits				1,753
Cash and cash equivalents				117
Total assets				50,348
Segment liabilities	975	137	122	1,234
Interest bearing liabilities				12,185
Provision for taxation				48
Deferred tax liabilities				5,976
Long-term incentive plan payable				20
Other non-current liabilities				327
Total liabilities, excluding net assets attributable to unitholders				19,790
Net assets attributable to unitholders				30,558

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 6 Property operating expenses

	<b>Six months ended 30 September 2008 (Unaudited) HK\$'M</b>	Six months ended 30 September 2007 (Unaudited) HK\$'M
Property managers' fees, security and cleaning	275	278
Staff costs (Note 9)	82	61
Government rent and rates	55	50
Repairs and maintenance	112	106
Utilities	204	211
Promotion and marketing expenses	37	27
Estate common area costs	46	41
Other property operating expenses	43	39
	<b>854</b>	<b>813</b>

## 7 Operating profit before finance costs, taxation and transactions with unitholders

	<b>Six months ended 30 September 2008 (Unaudited) HK\$'M</b>	Six months ended 30 September 2007 (Unaudited) HK\$'M
Operating profit before finance costs, taxation and transactions with unitholders is stated after charging:		
Staff costs (Note 9)	119	84
Depreciation of property, plant and equipment	7	6
Loss on disposal of property, plant and equipment	1	2
Strategic partner fee	2	1
Trustee's fee	2	2
Valuation fee	1	1
Auditor's remuneration	1	1
Bank charges	1	—
Operating lease charges	3	2
Other legal and professional fees	3	3

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 8 Finance costs on interest bearing liabilities

	<b>Six months ended 30 September 2008 (Unaudited) HK\$'M</b>	Six months ended 30 September 2007 (Unaudited) HK\$'M
Interest expenses on interest bearing liabilities wholly repayable within five years (Note 17)	253	310

## 9 Staff costs

	<b>Six months ended 30 September 2008 (Unaudited) HK\$'M</b>	Six months ended 30 September 2007 (Unaudited) HK\$'M
Wages and salaries	102	78
Contributions to mandatory provident fund scheme	2	2
Long-term incentive plan awards (Note 18)	15	4
	119	84

Staff costs can be further analysed as below:

	<b>Six months ended 30 September 2008 (Unaudited) HK\$'M</b>	Six months ended 30 September 2007 (Unaudited) HK\$'M
Included under property operating expenses (Note 6)	82	61
Included under general and administrative expenses	37	23
	119	84

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 10 Taxation

In 2008, the Government of the Hong Kong Special Administrative Region enacted a change in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09. Accordingly, Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. The change in the profits tax rate also has an impact on the Group's deferred taxation and an amount of HK\$341 million in respect of previously provided deferred taxation has been written back as a credit to the condensed consolidated income statement.

The amount of taxation (credited)/charged to the condensed consolidated income statement represents:

	<b>Six months ended 30 September 2008 (Unaudited) HK\$'M</b>	Six months ended 30 September 2007 (Unaudited) HK\$'M
Current taxation — Hong Kong profits tax	108	77
Deferred taxation		
— Change in fair values of investment properties	(77)	465
— Effect of change in tax rate	(341)	—
— Other temporary differences	66	60
Taxation (credit)/charge	(244)	602

## 11 Earnings per unit based upon profit for the period, before transactions with unitholders

	<b>Six months ended 30 September 2008 (Unaudited)</b>	Six months ended 30 September 2007 (Unaudited)
Profit for the period, before transactions with unitholders	HK\$844 million	HK\$2,978 million
Weighted average number of units for the period	2,159,895,896	2,139,854,069
Earnings per unit based on profit for the period, before transactions with unitholders, basic and diluted	HK\$0.39	HK\$1.39

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 12 Investment properties

## (a) DETAILS OF THE MOVEMENTS IN INVESTMENT PROPERTIES ARE AS FOLLOWS:

	Retail properties HK\$'M	Carparks HK\$'M	Total HK\$M
At 1 April 2008	36,105	8,202	44,307
Additions	267	23	290
Change in fair values	(307)	(157)	(464)
At 30 September 2008	36,065	8,068	44,133

## (b) GOVERNMENT LEASES

The properties included as investment properties on the condensed consolidated balance sheet comprise properties where the Group has legal title under government leases for a fixed number of years (with renewal rights in one case), and other properties where the granting of the government leases and legal title is in progress. As at 30 September 2008, legal title for 126 (31 March 2008: 120) properties out of 180 properties has been granted to the Group. The remaining lease periods of the government lease profile of these properties with government leases granted range from 35 to 50 years.

By virtue of the Property Agreement with the Hong Kong Housing Authority in respect of the acquisition of the RC Operations, the Group as the beneficial owner, is legally entitled to operate all these properties as if it was the legal owner.

## (c) FAIR VALUES

The investment properties were revalued on an open market value basis as at 31 March and 30 September 2008 by Knight Frank Petty Limited, an independent firm of professional qualified valuers. In arriving at the market values, Knight Frank Petty Limited has assumed, inter alia, that legal titles to the properties are in place as of the property valuation date, notwithstanding that legal titles to certain of the properties have not been granted as of the balance sheet date (see Note (b) above).

## (d) SECURITY FOR THE GROUP'S LOAN FACILITIES

As at 30 September 2008, certain of the Group's investment properties, amounting to approximately HK\$4.7 billion (31 March 2008: HK\$4.8 billion), were mortgaged to secure the Group's loan facilities.

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 13 Property, plant and equipment

	Leasehold improvements HK\$'M	Motor vehicles HK\$'M	Equipment HK\$'M	Total HK\$'M
At 1 April 2008	19	3	24	46
Additions	6	—	7	13
Disposals	(1)	—	—	(1)
Depreciation charge for the period	(2)	—	(5)	(7)
At 30 September 2008	22	3	26	51
At 30 September 2008				
Cost	28	4	49	81
Accumulated depreciation	(6)	(1)	(23)	(30)
Net book value	22	3	26	51

## 14 Trade and other receivables

	<b>30 September 2008 (Unaudited) HK\$'M</b>	31 March 2008 (Audited) HK\$'M
Trade receivables	61	63
Less: provision for impairment of receivables	(6)	(5)
Trade receivables — net	55	58
Other receivables	55	54
	110	112

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



## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 14 Trade and other receivables (continued)

The ageing analysis of trade receivables is as follows:

	<b>30 September 2008 (Unaudited) HK\$'M</b>	31 March 2008 (Audited) HK\$'M
0–30 days	50	53
31–90 days	3	3
Over 90 days	8	7
	<b>61</b>	<b>63</b>

Monthly base rental in respect of retail properties are payable in advance by tenants in accordance with the leasing agreements while daily gross receipts from car parks are received from the car park operators in arrears.

## 15 Cash and cash equivalents and short-term bank deposits

	<b>30 September 2008 (Unaudited) HK\$'M</b>	31 March 2008 (Audited) HK\$'M
Cash in hand	1	—
Cash at bank	16	10
Short-term bank deposits with original maturity of less than three months	82	107
Cash and cash equivalents	99	117
Short-term bank deposits with original maturity of more than three months	1,259	1,753
	<b>1,358</b>	<b>1,870</b>

Short-term bank deposits at the balance sheet date mature approximately 71 days (31 March 2008: 94 days) from the balance sheet date. The effective interest rate at the balance sheet date was 2.54% (31 March 2008: 2.92%) per annum.

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 16 Trade payables, receipts in advance and accruals

	<b>30 September 2008 (Unaudited) HK\$'M</b>	31 March 2008 (Audited) HK\$'M
Trade payables	106	62
Receipts in advance	70	61
Accruals	739	735
	<b>915</b>	<b>858</b>

The ageing analysis of trade payables is as follows:

	<b>30 September 2008 (Unaudited) HK\$'M</b>	31 March 2008 (Audited) HK\$'M
0–30 days	75	53
31–90 days	30	8
Over 90 days	1	1
	<b>106</b>	<b>62</b>

## 17 Interest bearing liabilities

	<b>30 September 2008 (Unaudited) HK\$'M</b>	31 March 2008 (Audited) HK\$'M
Guaranteed notes	1,398	3,596
Syndicated loan	4,590	4,589
Other loan (secured)	4,000	4,000
Bank loans	1,547	—
	<b>11,535</b>	<b>12,185</b>
Less: Current portion of interest bearing liabilities	(2,696)	(2,199)
Non-current portion of interest bearing liabilities	<b>8,839</b>	<b>9,986</b>

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 17 Interest bearing liabilities (continued)

Interest bearing liabilities are repayable as follows:

	<b>30 September 2008 (Unaudited) HK\$'M</b>	31 March 2008 (Audited) HK\$'M
<b>Due in the first year</b>		
Guaranteed notes	1,398	2,199
Bank loans	1,298	—
	2,696	2,199
<b>Due in the second year</b>		
Guaranteed notes	—	1,397
<b>Due in the third year</b>		
Other loan (secured)	4,000	4,000
Bank loan	249	—
	4,249	4,000
<b>Due in the fourth year</b>		
Syndicated loan	4,590	4,589
	11,535	12,185

On 4 August 2008, the Group repaid its HK\$2.2 billion guaranteed notes by raising unsecured bilateral loan facilities and utilising internal resources and existing undrawn loan facilities. The effective interest rate of the interest bearing liabilities (including interest rate swap) at the balance sheet date was 4.52% (31 March 2008: 4.10%). The carrying amounts of the interest bearing liabilities approximate their fair values.

## 18 Long-term incentive plan payable

The Group adopted a Long-term Incentive Plan (the "LTI" or "Plan"), which was approved by an ordinary resolution on 23 July 2007 at the annual general meeting of the unitholders. The Plan shall be valid and effective for 10 years commencing on the adoption date.

Under the Plan, the Manager may grant three types of awards, the Restricted Unit Awards ("RUA"), Unit Options and Conditional Cash Awards ("CCA") (collectively the "Awards") to eligible employees of the Group. Awards are approved by the Human Resources and Compensation Committee.

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 18 Long-term incentive plan payable (continued)

During the period, certain employees were granted the RUA and CCA at nil consideration. The RUA granted under the Plan, in general, are fully vested in two to four years from the date of grant. The eventual units to be issued under the RUA, which are linked to the performance of The Link REIT based on the total unitholders return ("TUR") and/or certain vesting conditions, will range from 20% to 300% of the awards granted. CCA is granted in conjunction with the grant of RUA, bestowing upon the grantee a conditional right to receive a cash payment representing an amount equivalent to the aggregate of the distributions per unit to unitholders during the vesting period, multiplied by the number of units that will eventually be vested.

During the vesting period, a liability is recognised, representing the estimated fair value of the awards granted and the portion of the vesting period expired as at the balance sheet date. As at 1 April 2008, a total of HK\$20 million LTI liability has been accrued. In the current period, an additional liability of HK\$18 million has been accrued, of which HK\$15 million (2007: HK\$4 million) was charged to the condensed consolidated income statement and the remaining was capitalised under investment properties. In the event that the vesting conditions are not met, the amount previously accrued will be written back accordingly.

Upon the vesting of RUA, units are to be issued to the employees on a sliding scale, depending on the scale of achievement against the TUR, providing that the minimum criteria for the performance measure determined by the Human Resources and Compensation Committee has been met.

Movements in the number of units of awards granted during the period and maximum number to be issued are as follows:

Date of Grant	Vesting Period	Number of units outstanding as at 1 April 2008	Number of units granted during the period	Number of units lapsed during the period	Number of units outstanding as at 30 September 2008	Maximum number of units to be issued on vesting date*
24 July 2007	24 July 2007 to 23 July 2010	1,863,000	—	(175,000)	1,688,000	5,059,500
24 December 2007	24 December 2007 to 23 July 2010	764,000	—	—	764,000	2,292,000
	24 December 2007 to 23 July 2011	545,000	—	—	545,000	1,635,000
	24 December 2007 to 23 July 2012	545,000	—	—	545,000	1,635,000
10 January 2008	10 January 2008 to 23 July 2010	68,500	—	—	68,500	205,500
	10 January 2008 to 23 July 2011	68,500	—	—	68,500	205,500
	10 January 2008 to 23 July 2012	68,500	—	—	68,500	205,500
5 May 2008	5 May 2008 to 4 May 2010	—	355,000	—	355,000	828,000
	5 May 2008 to 4 May 2011	—	355,000	—	355,000	828,000
	5 May 2008 to 4 May 2012	—	355,000	—	355,000	828,000
Total		3,922,500	1,065,000	(175,000)	4,812,500	13,722,000

\* if certain vesting conditions are met

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 19 Other non-current liabilities

	<b>30 September 2008 (Unaudited) HK\$'M</b>	31 March 2008 (Audited) HK\$'M
Interest rate and currency swaps — cash flow hedges (Note)	353	327

Note:

The Group uses interest rate swaps (swapping from floating rates to fixed rates) and currency swaps (swapping from United States dollar to Hong Kong dollar) to minimise its exposure to movements in interest rates and foreign currency exchange rates in relation to its floating rates interest bearing liabilities. The full fair value of these cash flow hedges are classified as non-current items as the remaining maturities of the hedged items extend for more than 12 months. Any change in fair value of the effective portion of the cash flow hedges is recognised in the hedging reserve. Net amount of HK\$26 million has been debited to the hedging reserve during the period (2007: HK\$44 million credited to the hedging reserve) as further set out in Note 21.

Derivative financial instruments qualifying as cash flow hedges as at 30 September 2008 have a weighted average maturity of 4.3 years (31 March 2008: 3.6 years) from the balance sheet date. The notional principal amount and the weighted average fixed interest rate of the outstanding interest rate swap contracts as at 30 September 2008 were HK\$7.75 billion (31 March 2008: HK\$4 billion) and 4.61% (31 March 2008: 5.05%) respectively. The notional principal amount of the outstanding foreign currency swap contract as at 30 September 2008 was HK\$0.25 billion (31 March 2008: Nil).

Gains and losses on interest rate and currency swap contracts recognised in the hedging reserve (Note 21) as at 30 September 2008 will be released to the consolidated income statement.

## 20 Units in issue

	<b>Number of units</b>
At 1 April 2008	2,158,677,767
Units issued under distribution reinvestment scheme	5,184,129
At 30 September 2008	<b>2,163,861,896</b>

Traded market value of the units as of 30 September 2008 was HK\$16.02 (31 March 2008: HK\$17.26) per unit. Based on 2,163,861,896 units in issue as at 30 September 2008 (31 March 2008: 2,158,677,767 units), market capitalisation was HK\$34,665 million (31 March 2008: HK\$37,259 million).

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 21 Reserves

	Hedging reserve HK\$'M	Earnings retained for cash flow hedge adjustments HK\$'M	Total reserves HK\$'M
At 1 April 2008	(327)	327	—
Cash flow hedges:			
— Change in fair values	(84)	—	(84)
— Amount transferred to the condensed consolidated income statement (Note)	58	—	58
	(26)	—	(26)
Amount arising from cash flow hedging reserve movement	—	26	26
At 30 September 2008	(353)	353	—

Note: Amount transferred to the condensed consolidated income statement in respect of cash flow hedges was included in "Finance costs on interest bearing liabilities" (Note 8).

## 22 Capital commitments

	30 September 2008 (Unaudited) HK\$'M	31 March 2008 (Audited) HK\$'M
Improvement projects to existing investment properties		
Authorised but not contracted for	663	695
Contracted but not provided for	448	302
	1,111	997

## Notes to the Condensed Consolidated Interim Financial Information (continued)

**23 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 "Related Party Disclosures", and nature of their relationship with The Link REIT as at 30 September 2008:

<b>Connected/related party</b>	<b>Relationship with the Group</b>
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")*	The Trustee of The Link REIT
The Hongkong and Shanghai Banking Corporation Limited and its associates (the "HSBC Group")*	Related parties of the Trustee
Knight Frank Petty Limited (the "Principal Valuer")	The Principal Valuer of The Link REIT
Knight Frank Hong Kong Limited	A related party of the Principal Valuer
The Children's Investment Master Fund	A significant unitholder of The Link REIT
Hong Kong Youth Arts Foundation	An associate of a director
The Wing Hang Bank Limited*	Common director
Industrial and Commercial Bank of China (Asia) Limited ("ICBC")*	Common director
Aedas Limited*	Common director

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

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 23 Connected party transactions and significant related party transactions and balances (continued)

## (b) TRANSACTIONS WITH CONNECTED/RELATED PARTIES

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

	<b>Six months ended 30 September 2008 (Unaudited) HK\$'M</b>	Six months ended 30 September 2007 (Unaudited) HK\$'M
Trustee's fee paid and payable to the Trustee (Note (ii))	(2)	(2)
Transactions with the Principal Valuer (Note (iii))		
Valuation fee	(1)	(1)
Leasing consultancy fee	(1)	—
Leasing agency fee paid and payable to Knight Frank Hong Kong Limited	(1)	—
Transactions with the HSBC Group (Note (iv))		
Interest expense to the HSBC Group on interest bearing liabilities and interest rate swaps	(19)	(14)
Staff expense to the HSBC Group on medical/group life insurance	(1)	(1)
Rental income from the HSBC Group on leasing of retail units	8	6
Interest income from the HSBC Group on short-term bank deposits	1	4
Transactions with ICBC (Note (iv))		
Interest expense to ICBC on interest bearing liabilities	(2)	(4)
Rental income from ICBC on leasing of retail units	2	2
Architectural/renovation consultancy services fees paid and payable to Aedas Limited (Note (v))	(2)	(1)

Notes:

- (i) All connected party transactions were carried out in accordance with the terms of the relevant agreement 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 a rate of 0.008% 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 The Link REIT from time to time, subject to a minimum of HK\$150,000 per month.
- (iii) Knight Frank Petty Limited replaced CB Richard Ellis Limited as the Principal Valuer with effect from 21 January 2008 (2007: valuation fee of HK\$0.6 million was paid to CB Richard Ellis Limited). The transactions were entered into at mutually agreed rates.
- (iv) The transactions with the HSBC Group and ICBC were in accordance with market rates.
- (v) The transactions with Aedas Limited were entered into at mutually agreed rates.



## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 23 Connected party transactions and significant related party transactions and balances (continued)

## (c) BALANCES WITH RELATED PARTIES

Balances with related parties are set out below:

	<b>30 September 2008 (Unaudited) HK\$'M</b>	31 March 2008 (Audited) HK\$'M
Interest bearing liabilities with the HSBC Group	(798)	(598)
Interest rate swaps with the HSBC Group	(90)	—
Security deposits from the HSBC Group	(1)	(1)
Short-term bank deposits and savings placed with the HSBC Group	116	34
Net interest payable to the HSBC Group	(4)	—
Interest bearing liabilities with ICBC	(184)	(184)

## (d) KEY MANAGEMENT COMPENSATION

The aggregate amounts of emoluments of the key management staff of the Group, before capitalised under investment properties, are as follows:

	<b>Six months ended 30 September 2008 (Unaudited) HK\$'M</b>	Six months ended 30 September 2007 (Unaudited) HK\$'M
Fees	3	3
Basic salaries, allowances and other benefits	30	7
Long-term incentive plan awards (Note 18)	16	1
	49	11

Emoluments of both directors and senior management personnel are included for the period ended 30 September 2008, while only directors' emoluments were accounted for in the period ended 30 September 2007.

## 24 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information was authorised for issue by the Manager on 12 November 2008.

# Performance Table

As at 30 September 2008

	<b>Six months ended 30 September 2008 (Unaudited)</b>	Six months ended 30 September 2007 (Unaudited)	Six months ended 30 September 2006 (Unaudited)
Net assets attributable to unitholders	HK\$30,645 million	HK\$29,259 million	HK\$24,540 million
Net assets per unit attributable to unitholders	HK\$14.16	HK\$13.62	HK\$11.48
The highest premium of the traded price to net assets per unit attributable to unitholders (Note (i))	HK\$5.64	HK\$5.58	HK\$5.97
Distribution per unit	HK40.86 cents	HK36.11 cents	HK32.81 cents
Market price at period end	HK\$16.02	HK\$17.10	HK\$16.22
Net yield per unit (Note (ii))	2.55%	2.11%	2.02%
Net yield (annualised) per unit (Note (ii))	5.10%	4.22%	4.04%
Number of units in issue at period end	2,163,861,896	2,148,434,317	2,137,454,000

Notes:

- (i) The highest premium is calculated based on the highest traded price of HK\$19.80 (2007: HK\$19.20) on The Stock Exchange of Hong Kong Limited during the period. The lowest traded price during the period was HK\$15.70 (2007: HK\$14.20) which is higher than the net assets per unit attributable to unitholders as at the period end date. Accordingly, no discount of the traded price to net assets per unit attributable to unitholders is presented.
- (ii) Net yield per unit is calculated based on distribution per unit for the period ended 30 September 2008 of HK40.86 cents (2007: HK36.11 cents) over the last traded price as at 30 September 2008 of HK\$16.02 (2007: HK\$17.10).

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The Link Real Estate Investment Trust

