

We **Link**
People to a
Brighter Future



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Performance

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

Subsequent to Britain's referendum to leave the European Union in June 2016, we capitalised on the opportunity to issue our first green bond in July 2016 while US treasury yields and

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

Allocation of Green Bond Proceeds

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

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

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

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

On interest rate management, we maintained the percentage of fixed rate debt to gross debt steady at 61.4% (31 March 2016: 63.4%) and the average life of fixed rate debt, representing the average period of interest rate

protection provided by fixed rate debt, steady at 6.3 years (31 March 2016: 6.9 years). Despite two 0.25% interest rate hikes by the US Federal Reserve during the year, the effective interest cost of our debt portfolio remained low at 2.65% as at 31 March 2017 (31 March 2016: 2.57%).

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

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

Funding base

(As at 31 March 2017)

