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The Link Real Estate Investment Trust

*(a collective investment scheme authorised under section 104
of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*
(stock code: 823)

(1) PROPOSED EXPANSION OF THE LINK REIT'S INVESTMENT STRATEGY TO PERMIT PROPERTY DEVELOPMENT AND RELATED ACTIVITIES AND RELATED AMENDMENTS TO THE TRUST DEED,

(2) OTHER PROPOSED MINOR AMENDMENTS TO THE TRUST DEED,

AND

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

The Board wishes to announce that the Manager proposes to: (a) expand The Link REIT's investment strategy to permit Property Development and Related Activities (as defined below) and make related amendments to the Trust Deed; and (b) make other minor amendments to the Trust Deed which do not relate to the proposed expansion of The Link REIT's investment strategy.

Such matters are more particularly set out below and in the Circular which, together with the EGM Notice, is expected to be despatched to Unitholders on 22 December 2014.

This announcement is being made pursuant to 10.3 of the REIT Code.

The Board wishes to announce that the Manager proposes to: (a) expand The Link REIT's investment strategy to permit Property Development and Related Activities and make related amendments to the Trust Deed; and (b) make other minor amendments to the Trust Deed which do not relate to the proposed expansion of The Link REIT's investment strategy.

Such matters are more particularly set out below and in the Circular which, together with the EGM Notice, is expected to be despatched to Unitholders on 22 December 2014. The Circular is also available on the websites of The Link REIT and Hong Kong Exchanges and Clearing Limited.

I. REIT CODE AMENDMENTS

On 27 January 2014, the SFC issued a consultation paper on Amendments to the Code on Real Estate Investment Trusts inviting public comments on proposed amendments to the REIT Code to allow REITs to undertake property development activities and invest in certain specified financial instruments. The proposals gained majority support, and the REIT Code Amendments became effective from 29 August 2014. As a result, REITs now have more flexibility in their investment strategy, subject to unitholders' approval for the necessary expansion of their respective investment strategy (and consequential changes to their respective trust deed) and the limitations under the REIT Code Amendments.

In relation to property development, the REIT Code Amendments allow REITs to engage in Property Development and Related Activities, which encompass: (a) the carrying out of property developments (including both new development projects and re-development of existing properties) undertaken in accordance with the REIT Code; and (b) the acquisition of uncompleted units in a building which is un-occupied or in the course of substantial development, re-development or refurbishment.

Currently, The Link REIT's investment strategy only permits the Manager to acquire uncompleted units in a building which is un-occupied or in the course of substantial development, re-development or refurbishment. With a view to enhancing returns to Unitholders and for the long-term development of The Link REIT, the Manager proposes to expand The Link REIT's investment strategy to permit The Link REIT to conduct Property Development and Related Activities in the manner set out in this announcement.

For the avoidance of doubt, **the Manager does not currently intend to expand The Link REIT's investment strategy to include investments in financial instruments**, albeit they are now (subject to unitholders' approval) permitted following the REIT Code Amendments.

II. PROPOSED EXPANSION OF THE LINK REIT'S INVESTMENT STRATEGY TO PERMIT PROPERTY DEVELOPMENT AND RELATED ACTIVITIES AND THE PROPERTY DEVELOPMENT TRUST DEED AMENDMENTS

General

Supply of quality retail and commercial assets for acquisition in Hong Kong is limited as most of them are in the concentrated ownership of major landlords and established property developers, who have little incentive to sell.

The Manager therefore considers that it is beneficial for The Link REIT's long-term and sustainable growth if it can acquire land (or re-develop its existing properties) to build new retail and/or commercial assets to meet its requirements on design and specifications for the desired tenant mix. This property development strategy complements the acquisition strategy and the asset enhancement strategy of The Link REIT as determined by the Manager and helps optimise the assets of The Link REIT for further growth and better financial return.

Proposed Expansion of The Link REIT's Investment Strategy

The Manager proposes to seek Unitholders' approval to expand The Link REIT's investment strategy so that The Link REIT shall have the flexibility to undertake Property Development and Related Activities in respect of all types of developments that contain retail and/or commercial portions, provided that the Aggregate Development Costs of such activities shall not exceed the GAV Cap (being 10% of the Gross Asset Value of the Deposited Property). "Property Development and Related Activities" refers to the acquisition of uncompleted units in a building by The Link REIT and property developments (including both new development projects and re-development of existing properties) undertaken in accordance with the REIT Code, but does not include refurbishments, retrofittings and renovations.

In pursuing this investment strategy, the Manager will adhere to: (a) investing in properties for long-term holding; (b) focusing on properties with sustainable income growth and long-term capital appreciation potential; and (c) maintaining a large and diversified portfolio of retail and/or commercial properties.

For details of how the Manager practically intends to undertake such Property Development and Related Activities, please refer to the section headed "Proposed Approach regarding Property Development and Related Activities" in this announcement.

Reasons for and Expected Benefits of Undertaking Property Development and Related Activities

The Manager's reasons for and expected benefits of undertaking Property Development and Related Activities are as follows:

- **Opportunities to re-develop existing properties where the financial benefit of re-development outweighs the maintenance cost of any aging property.** Currently, The Link REIT, as with other Hong Kong listed REITs, lacks the ability to re-develop its existing properties in the event they have fallen into dilapidation. Even with diligent property management and maintenance, the aging properties will eventually need to be re-developed, when normal repair and maintenance costs outweigh the returns. With the ability to engage in Property Development and Related Activities, The Link REIT may avoid being compelled to sell an aging property at a price that does not reflect the full potential of the property. Re-development presents a more sustainable solution than a major overhaul of the existing property and alleviates unnecessary disturbances to the existing tenants, property users and the public.

The table below sets out a breakdown of the ages of the properties in The Link REIT's portfolio as at the date of this announcement:

| Age of property | Number of assets | Internal floor area ⁽¹⁾ <i>(million square feet)</i> | Appraised value <i>(HK\$' million)</i> |
|--------------------|---------------------|---|---|
| Less than 10 years | 1 | 0.1 | 1,320.0 ⁽³⁾ |
| 10 to 20 years | 67 | 3.8 | 44,426.9 ⁽²⁾ |
| 21 to 30 years | 68 | 3.2 | 32,536.5 ⁽²⁾ |
| Over 30 years | 38 | 3.7 | 30,711.0 ⁽²⁾ |
| | <u>174</u> | <u>10.8</u> | <u>108,994.4</u> |

Notes:

(1) Internal floor area excludes car parks.

(2) Appraised value as at 31 March 2014.

(3) Appraised value as at 13 August 2014.

- More investment opportunities.** Pure retail and/or commercial properties for acquisition in Hong Kong are scarce and not always readily available. They tend to remain in the concentrated ownership of major landlords and established property developers, who have little incentive to sell. Property developers tend to keep the retail/commercial portion after they have sold the residential apartments in a property development project. Should Unitholders give their approval for The Link REIT to participate in Property Development and Related Activities, there are more choices for the Manager to acquire investment targets that are suitable for the long-term sustainable growth of The Link REIT.
- Early stage with lower entry cost.** If The Link REIT can invest early in the project cycle (either by way of acquiring properties under development, re-developing its existing properties, or undertaking property development), and in a broader range of mixed-use developments, it can take advantage of a lower purchase price closer to “at-cost” pricing. Such early participation will provide The Link REIT with another avenue to grow its recurring income base as well as more investment opportunities which could bring attractive yields and/or greater capital appreciation potential.
- Better control over designing and building a property that fits The Link REIT's investment strategy.** Sometimes, the design and specifications of a property for acquisition may not be entirely satisfactory to the Manager. Early investment in a property development project will allow the Manager to have input and control over the final product it wishes to acquire. This “design-and-build” concept will enable The Link REIT to acquire a property that fits its investment strategy and facilitate the Manager's formulation of a long-term strategic and organic growth plan. It will also help avoid incurring additional costs for modification of any design or specifications that may arise after the acquisition.

- **A full suite of tools to drive growth.** Currently, growth of The Link REIT is driven by its strategy on asset enhancement, asset acquisition, and asset management. With the expansion of The Link REIT's investment strategy to include Property Development and Related Activities, the Manager is able to add quality retail/commercial assets of its design to optimise and upgrade the portfolio of The Link REIT.

The ability to undertake Property Development and Related Activities in the manner described in this announcement will, when taken together with the existing permitted activities, give the Manager a full range of growth drivers encompassing:

- (a) asset enhancement to properties with further income growth potential;
- (b) asset management of the entire portfolio;
- (c) acquisition of quality assets with both income and capital growth potential;
- (d) capital recycling through disposal of non-core assets;
- (e) property development to design, build and hold; and
- (f) re-development of existing properties for long-term sustainable growth.

The ability to build retail and/or commercial assets on its own (together with asset acquisition and disposal) enables the Manager to accelerate the optimisation of the asset portfolio of The Link REIT. These drivers complement each other by adding different capabilities at different points in time and together they enable the Manager to drive the growth of The Link REIT at various stages of its development.

The Manager will ensure that before engaging in any Property Development and Related Activities, it will have competent and adequate staff with sufficient and appropriate skills, resources and expertise in place, either as part of its in-house skills or by way of outsourcing to a competent external party under the Manager's oversight, to manage the Property Development and Related Activities.

Proposed Approach regarding Property Development and Related Activities

(a) Retail/Commercial Stand-Alone Property Development

In accordance with the above-mentioned expanded investment strategy, the Manager may undertake Property Development and Related Activities in respect of retail and/or commercial development projects. For the avoidance of doubt, the Manager shall not undertake Property Development and Related Activities in stand-alone residential, hotel or serviced-apartment developments, and such activities are not within the proposed expanded investment scope of The Link REIT.

Currently, it is the Manager's intention to undertake Retail/Commercial Stand-Alone Property Development on its own, through contractors and building consultants in accordance with the Manager's design, specifications, and requirements and under the Manager's control and supervision. Should the Manager consider it beneficial to collaborate with others in developing the Retail/Commercial Stand-Alone Property Development (for instance, through a joint venture arrangement) due to the scale and/or complexity of the Retail/Commercial Stand-Alone Property Development, such collaboration will be conducted in compliance with the requirements of the REIT Code and further announcement(s) will be made.

Regardless of whether the Manager chooses to conduct Retail/Commercial Stand-Alone Property Development on its own or in collaboration with others, the Manager shall comply with the REIT Code including the restrictions on Property Development and Related Activities contained therein (such as the GAV Cap) in addition to the terms of the relevant Government land grant and all relevant government authority requirements relating to building construction and land development. The restrictions under the REIT Code, as well as the corporate governance principles and risk mitigation measures that the Manager shall also comply with, are summarised in the section headed "REIT Code Restrictions, Corporate Governance and Other Risk Mitigation Measures" in this announcement.

(b) Mixed-Use Property Development

Land supply for pure retail development is scarce in Hong Kong. A high majority of the land put up for auction by the Hong Kong Government is for residential development (many with varying degrees of retail components). Residential-cum-retail/office developments are also common in major cities in Mainland China, such as Shenzhen, Guangzhou, Shanghai and Beijing. Therefore, in these cities, it is more common to find Mixed-Use Property Development opportunities.

If The Link REIT's investment strategy is expanded so as to include Property Development and Related Activities, it will have the flexibility to invest in the retail and/or commercial portions (the **Target Retail/Commercial Property**) of a comprehensive mixed-use development (the **Estate**) that also comprises areas that are neither retail nor commercial in nature (such as residential apartment, hotel and/or serviced apartment which are hereafter collectively referred to as the **Excluded Property**) for the sole purpose of facilitating an investment in the Target Retail/Commercial Property.

Such investment will be carried out through a collaboration between The Link REIT and the developer responsible for constructing the entire Estate (the **Developer**), for example, through the establishment of a joint venture company (the **JV Co**), the key parameters of which will include:

- (a) The Link REIT and the Developer shall be exclusively responsible for the land premium attributable to the Target Retail/Commercial Property and the Excluded Property, respectively, at a pre-agreed proportion;

- (b) The Link REIT will be responsible for funding the construction costs relating to the Target Retail/Commercial Property and be exclusively entitled to the economic interest in the income of the Target Retail/Commercial Property. The Manager shall also have control over: (i) the design, specifications and standards of the Target Retail/Commercial Property throughout its construction stage; and (ii) the tenancing, management, operation, and disposal of the Target Retail/Commercial Property throughout its construction stage and following completion of its development;
- (c) the Developer will be responsible for funding the construction costs and other liabilities relating to the Excluded Property and be exclusively entitled to the economic interest in the income and sale proceeds of the Excluded Property. For the avoidance of doubt, The Link REIT shall not be responsible for funding the construction costs and other liabilities relating to the Excluded Property, nor will it be entitled to the economic interest in the income and sale proceeds of the Excluded Property. The Developer shall also have control over the design, marketing and disposal of the Excluded Property; and
- (d) the direct or indirect holding of the Excluded Property by The Link REIT shall not take up any resources of The Link REIT. Further, the Manager shall ensure that such holding is not inconsistent with the REIT Code or is otherwise permitted by the SFC.

Listed above are the key parameters within which The Link REIT proposes to invest in Mixed-Use Property Development, assuming The Link REIT will hold the entire interest in the Target Retail/Commercial Property of such Mixed-Use Property Development. If The Link REIT instead holds a partial interest in the Target Retail/Commercial Property (with the Developer holding the remaining interest in the Target Retail/Commercial Property in addition to the entire interest in the Excluded Property), the above key parameters will apply except that: (i) The Link REIT's obligations and liabilities in respect of the Target Retail/Commercial Property (for example, to fund the land premium and construction costs associated with the Target Retail/Commercial Property) shall be proportionate with The Link REIT's interest in the Target Retail/Commercial Property; and (ii) The Link REIT will have majority ownership and control (as defined in the REIT Code and/or other published guidelines, policies, practice statements or other guidance issued by the SFC) over the Target Retail/Commercial Property (rather than absolute control over the matters referred to in paragraph (b) above). Further details regarding the structure and terms of any Mixed-Use Property Development conducted by the Manager shall be announced to the Unitholders in accordance with the REIT Code.

In conducting Mixed-Use Property Development, the Manager shall comply with the REIT Code including the restrictions on Property Development and Related Activities contained therein (such as the GAV Cap) in addition to the terms of the relevant Government land grant and all relevant government authority requirements relating to building construction and land development. The restrictions under the REIT Code, as well as the corporate governance principles and risk mitigation measures that the Manager shall also comply with, are summarised in the section headed "REIT Code Restrictions, Corporate Governance and Other Risk Mitigation Measures" in this announcement.

Risk Factors

Undertaking Property Development and Related Activities may involve certain risks in relation to financial aspects and operational matters. For example, by undertaking Property Development and Related Activities, The Link REIT will be exposed to the price volatility of labour and construction materials during various stages of development of the property. If the costs of labour or construction materials increase significantly and The Link REIT cannot offset such increase by reducing other costs, this may adversely affect the expected investment return of the project. Also, financial difficulties encountered by the Developer may affect its ability to fulfill its obligations in respect of the joint venture or collaboration arrangement, such as its obligation to bear the construction costs and other liabilities relating to the Excluded Property. Further details of the risks relating to Property Development and Related Activities will be set out in the Circular.

REIT Code Restrictions, Corporate Governance and Other Risk Mitigation Measures

(a) REIT Code Restrictions

The proposed expansion of The Link REIT's investment strategy to permit Property Development and Related Activities is subject to the current REIT Code restrictions summarised below:

- The Aggregate Development Costs shall not exceed 10% of The Link REIT's Gross Asset Value of the Deposited Property at any time. For the purpose of calculating the denominator to be used for the purpose of the GAV Cap, the Gross Asset Value of the Deposited Property shall exclude the value of any investments in properties under development (which for the avoidance of doubt, shall not include the value of existing properties undergoing re-development).
- Investment in vacant land is prohibited unless it can be demonstrated that such investment is "part-and-parcel" of the Property Development and Related Activities and within the investment objective or policy of The Link REIT.
- The Link REIT shall hold properties developed under the Property Development and Related Activities undertaken by it for a minimum of two years from the completion of the properties, unless Unitholders approve the disposal of such investment by Special Resolution.
- At least 75% of The Link REIT's Gross Asset Value of the Deposited Property shall be invested in real estate that generates recurrent rental income at all times.

The Manager will revise its compliance manual to contain the restrictions set out above.

In addition, all Property Development and Related Activities are subject to the requirements under the REIT Code (and, if applicable, the requisite SFC's approval) including the disclosure and, when applicable, unitholders' approval requirements stated therein.

(b) Corporate Governance

In addition to the REIT Code, the Manager should also comply with the principles of good corporate governance in relation to Property Development and Related Activities, including the following:

- the Manager should include a prudent buffer when preparing budgets in line with best industry standards and practice to cater for cost overruns that may arise during the course of development (and where the Property Development and Related Activities are conducted overseas, the Manager should also take into account any currency impact in the calculation);
- any decision made by the Manager to invest in Property Development and Related Activities must be made solely in the best interest of the Unitholders;
- the investments in Property Development and Related Activities should not result in a material change in the overall risk profile of The Link REIT;
- the Manager must have the requisite resources, competence, expertise, effective internal controls and risk management system for conducting the Property Development and Related Activities;
- the upfront calculation of Property Development Costs and where necessary any subsequent increase should be based on a fair estimate made by the Manager in good faith and supported by the opinion of an independent expert acceptable to the SFC;
- the Manager should consult the Trustee and issue an announcement to inform the Unitholders upon The Link REIT entering into a contract to invest in Property Development and Related Activities which should include all material information concerning the Property Development and Related Activities (including a summary of the key terms and conditions, the Property Development Costs and the risks involved); and
- the Manager should also ensure that all material information concerning the Property Development and Related Activities is set out in periodic updates (namely, the interim and annual reports) which should include the development progress, costs incurred and the extent (in percentage terms) to which the GAV Cap has been applied. The relevant disclosure in the annual reports shall be reviewed by the audit committee of the Manager.

The Manager will revise its compliance manual to contain the measures set out above.

(c) Other Risk Mitigation Measures

In addition to amending its compliance manual and ensuring full compliance with the requirements set out in the sub-sections headed “(a) REIT Code Restrictions” and “(b) Corporate Governance” above, the Manager will also adopt the following measures in managing its investments in Property Development and Related Activities:

- to prepare detailed budgets and manage budgets effectively and efficiently;
- to ensure that construction contracts are entered into at arm’s length on normal commercial terms and contain adequate risk ring-fencing measures in line with best industry practices (for example, appropriate payment and indemnity terms such as fixed sum contract, payment by stages, sufficient indemnity against wrongful time delays, etc.) so as to protect Unitholders’ interests;
- to monitor the process of application of all relevant governmental and regulatory approvals, and conduct proper due diligence to ensure all such approvals required for Property Development and Related Activities have been obtained and all applicable laws and regulations are complied with;
- to ensure that The Link REIT has sufficient resources to finance the Property Development and Related Activities at all times, having regard to the limitations on borrowing under the REIT Code and any exigencies that may arise in the course of construction;
- to ensure that it has competent and adequate staff with sufficient and appropriate skills, resources and expertise in place, either as part of its in-house skills or by way of outsourcing to a competent external party (e.g. engaging a reputable, suitably qualified and financially sound developer or contractor to undertake the development or construction activities) under the Manager’s oversight, to manage the Property Development and Related Activities; and
- to ensure that the Property Development and Related Activities will not result in a material change in the overall risk profile of The Link REIT.

Property Development Trust Deed Amendments and REIT Code Implications

In connection with the above proposed expansion of The Link REIT's investment strategy to permit Property Development and Related Activities, the Manager proposes the consequential amendments to the Trust Deed (being the Property Development Trust Deed Amendments) as summarised in this section. The following summary should be read together with the full text of the Property Development Trust Deed Amendments which will be set out in the Circular.

- **Property Development and Related Activities.** The Manager proposes to amend Clause 12.2.2 of the Trust Deed to specify that the investment policy of the Manager shall include undertaking Property Development and Related Activities in respect of all types of developments that contain retail and/or commercial portions. As noted in the section headed "REIT Code Restrictions, Corporate Governance and Other Risk Mitigation Measures – (a) REIT Code Restrictions" above, the Aggregate Development Costs of all Property Development and Related Activities shall not exceed the GAV Cap at any time, and it is proposed that Clause 12.2.2A of the Trust Deed will be amended to reflect this. Other proposed amendments to facilitate Property Development and Related Activities include the: (i) expansion of the definition of "Authorised Investments" to expressly include Property Development and Related Activities; (ii) insertion of new definitions for "Property Development and Related Activities", "GAV Cap", "Gross Asset Value of the Deposited Property", "Property Development Costs" and "Aggregate Development Costs" in Clause 1.1 of the Trust Deed; and (iii) insertion of a new Clause 9.1A into the Trust Deed providing further details as to the calculation of Gross Asset Value of the Deposited Property for the purposes of the GAV Cap.
- **Vacant Land Restrictions.** The Manager proposes to amend Clause 12.3.3 of the Trust Deed to specify that The Link REIT shall not invest in vacant land unless such investment is part-and-parcel of the Property Development and Related Activities and within the investment objective or policy of The Link REIT.
- **Minimum Holding Period.** The Manager proposes to amend Clauses 12.3.5 and 31.3.3 of the Trust Deed to add that the requirement to hold properties for a period of at least two years will, in the context of a property undergoing Property Development and Related Activities, commence from the date that the Property Development and Related Activities are completed.
- **Threshold Requirement.** The Manager proposes to insert a new Clause 12.3.7 into the Trust Deed in compliance with the REIT Code requirement that at least 75% of the Gross Asset Value of the Deposited Property shall be invested in real estate that generates recurrent rental income at all times.
- **Permitting The Link REIT to hold the Excluded Property under Certain Circumstances.** The Manager proposes to insert a new Clause 12.14.1 into the Trust Deed such that for the sole purpose of facilitating an investment in Target Retail/Commercial Property, The Link REIT may hold the Excluded Property provided: (a) The Link REIT does not claim any economic interest or bear any liabilities in respect of the Excluded Property; (b) the holding of the Excluded Property shall not take up any resources of The Link REIT; and (c) such holding is not inconsistent with the REIT Code or is otherwise permitted by the SFC. A new definition of "Target Retail/Commercial Property" shall be inserted into Clause 1.1 of the Trust Deed.

Due to certain legal restrictions during the Estate's construction phase that may make it impractical to segregate the Target Retail/Commercial Property and the Excluded Property, The Link REIT (through its ownership interest in the JV Co) will technically hold an interest in the Excluded Property. However, as noted above, the holding of the Excluded Property by The Link REIT through its investment in the JV Co is: (i) technical and solely required to facilitate The Link REIT's investment in the Target Retail/Commercial Property; and (ii) subject to strict conditions under the proposed new Clause 12.14.1.

Accordingly, the Manager is of the view that certain requirements under the Trust Deed should be modified where The Link REIT holds the Excluded Property, and proposes to amend the Trust Deed accordingly. Such amendments are summarised as follows: (i) the cost and value of the Excluded Property shall not be taken into account when applying the GAV Cap; (ii) the value of the Excluded Property and borrowing in respect of the same shall not be taken into account when determining the gearing ratio of The Link REIT; (iii) the value of the Excluded Property shall not be taken into account when determining the Trustee's remuneration; (iv) the investment limitations and restrictions (except for the restriction that The Link REIT shall not acquire any investment which involves the assumption of any liability that is unlimited), such as the income generation and minimum holding period requirements, shall not apply to the Excluded Property; (v) the property valuation requirements and methodology shall not apply to the Excluded Property; (vi) the obligations of the Trustee relating to good marketable legal and beneficial title as well as ensuring the safe custody of real estate owned by The Link REIT, and the Trustee's custodial obligations in respect of the Deposited Property, shall not apply to the Excluded Property; (vii) the requirement to insure investments in the nature of real estate shall not apply to the Excluded Property; (viii) the requirements relating to reporting and disposal of unauthorised investments shall not apply to the Excluded Property; (ix) the requirements relating to realisation of investments shall not apply to the Excluded Property; (x) the Manager's obligations to (in respect of the Deposited Property) arrange adequate insurance coverage, ensure compliance with government regulations, initiating and monitoring refurbishment, and calculate net asset value shall not apply to the Excluded Property; (xi) the Manager's responsibility for the management of the assets held by any Special Purpose Vehicle shall not apply to the Excluded Property; (xii) the Manager's duties relating to good marketable legal and beneficial title to the real estate owned by The Link REIT, implementation of appropriate policies and conducting due diligence, and maintenance of proper books and accounts and records shall not apply to the Excluded Property; and (xiii) transactions that require the Manager to issue a circular to the Unitholders shall not apply to transactions concerning the Excluded Property. The full text of these modifications will be set out in the Circular.

The Manager considers that the holding of the Excluded Property does not impact (nor is it inconsistent with) the investment objective of The Link REIT. Also, given the segregation principle mentioned above, the Manager does not consider it appropriate to compel the Developer to dispose of the Excluded Property by a specific date. However, the Manager shall use its best endeavours to ensure that The Link REIT ceases to hold its interest in the Excluded Property as soon as reasonably practicable, and this is reflected in the new Clause 12.14.2 of the Trust Deed.

- **Majority Ownership and Control of Special Purpose Vehicles established through Joint Ventures.** Pursuant to 7.5(aa) of the REIT Code, a REIT may only hold real estate through a special purpose vehicle if it has “majority ownership and control” of that special purpose vehicle. In line with the guidance published by the SFC, the manager of an SFC-authorized REIT is required to manage and enhance the value of the properties of the REIT, thus it is important that the REIT has “majority ownership and control” in the properties at all times to enable the manager to exercise control over the management and strategic development of the properties. Such requirement applies irrespective of the manner in which the properties are held. Generally, according to the guidance published by the SFC, a REIT will be considered to satisfy the “majority ownership and control” criteria if it has over 50% interest in the building/complex. Depending on the specific circumstances, the majority (over 50%) rule may be applied with reference to floor area, undivided shares or other relevant factors as appropriate. In the case where the building/complex is of composite use, if a REIT owns over 50% of the relevant portion of the building/complex and the REIT manager has either acquired majority control over the estate management issues of the relevant portion through means such as a sub-deed of mutual covenant or separate owners’ committees for that relevant portion of the property (in the case of Hong Kong properties), or it can demonstrate the establishment of proper safeguards or measures to increase its autonomy and influence over matters relating to the property management of the relevant portion to the extent allowed under the applicable mainland laws or regulations (in the case of mainland properties), then the REIT will also be considered to have “majority ownership and control” in the property.

The Manager will adhere to the principles published by the SFC by way of guidance to ensure that it has the requisite level of “majority ownership and control” of any special purpose vehicles established through joint ventures. As noted in the section headed “Proposed Approach regarding Property Development and Retail Activities – (b) Mixed-Use Property Development” above, it is anticipated that where The Link REIT will hold the entire interest in the Target Retail/Commercial Property: (i) The Link REIT will be exclusively entitled to the economic interest in the income of the Target Retail/Commercial Property; (ii) the Manager will have control over the design, specifications and standards of the Target Retail/Commercial Property throughout its construction stage; and (iii) the Manager will have control over the tenancing, management, operation, and disposal of the Target Retail/Commercial Property throughout its construction stage and following completion of its development. Where The Link REIT will hold a partial interest in a Retail/Commercial Stand-Alone Property Development or Target Retail/Commercial Property (in the case of a Mixed-Use Property Development), the Manager will ensure that: (a) The Link REIT’s interest in the Retail/Commercial Stand-Alone Property Development or the Target Retail/Commercial Property (in the case of a Mixed-Use Property Development) is greater than 50%; and (b) it has majority control over the estate management issues in respect of the Retail/Commercial Stand-Alone Property Development or the Target Retail/Commercial Property. In order to comply with the “majority ownership and control” requirement under 7.5(aa) of the REIT Code, the Manager shall endeavour to have the preceding rights and powers referred to in this paragraph when undertaking Property Development and Related Activities.

In light of the above, amendments have been proposed to the definition of “Special Purpose Vehicle” and Clause 12.4.1 of the Trust Deed, to clarify that references to “control” and “majority ownership and control” in such clauses shall be defined by reference to the REIT Code and/or other published guidelines, policies, practice statements or other guidance issued by the SFC.

Approvals Required

Currently, the investment strategy of The Link REIT does not include Property Development and Related Activities or investments in mixed-use developments which are not predominantly retail. In order for The Link REIT to be able to engage in Property Development and Related Activities in respect of all types of developments that contain retail and/or commercial portions, Unitholders must first approve, by way of Special Resolution, the proposed expansion of The Link REIT’s investment strategy as set out in the EGM Resolution.

The EGM Resolution also covers the Property Development Trust Deed Amendments, because 9.6 of the REIT Code and Clause 25.1 of the Trust Deed provide that, save for certain limited exceptions as certified by the Trustee in writing, the Manager and the Trustee are only entitled to modify, alter or add to the provisions of the Trust Deed by a supplemental deed with the approval of the Unitholders by way of Special Resolution and, if so required, the prior approval of the SFC.

The Board considers that the proposed expansion of The Link REIT’s investment strategy so as to permit Property Development and Related Activities together with the Property Development Trust Deed Amendments is in the interests of The Link REIT and the Unitholders as a whole.

The Trustee has no objection to the Manager submitting the proposed expansion of The Link REIT’s investment strategy so as to permit Property Development and Related Activities together with the Property Development Trust Deed Amendments for Unitholders’ approval. On the basis of the Manager’s corporate governance and risk mitigation measures in relation to Property Development and Related Activities set out in the sections headed “REIT Code Restrictions, Corporate Governance and Other Risk Mitigation Measures – (b) Corporate Governance” and “REIT Code Restrictions, Corporate Governance and Other Risk Mitigation Measures – (c) Other Risk Mitigation Measures” in this announcement, and the applicable provisions of the REIT Code, the Trustee is satisfied that the Property Development Trust Deed Amendments (when they come into effect as contemplated herein) and the Property Development and Related Activities (when undertaken in accordance with such corporate governance and risk mitigation measures, the Property Development Trust Deed Amendments, the other provisions of the Trust Deed and the REIT Code) will be in compliance with the REIT Code.

Pursuant to 7.2A of the REIT Code, the Trustee will, at the time of each acquisition, provide its view on whether such acquisition to be made is in line with The Link REIT’s investment objective and policy.

III. OTHER TRUST DEED AMENDMENTS

In addition to the Property Development Trust Deed Amendments, the Manager would like to take this opportunity to adopt the Other Trust Deed Amendments, being the Minor Trust Deed Amendments and the Trustee Ordinance Clarification Trust Deed Amendments as elaborated below.

Amendments pursuant to the REIT Code Amendments

The REIT Code Amendments also include certain minor miscellaneous amendments, which the Manager wishes to reflect in the Trust Deed. The full text of the proposed Minor Trust Deed Amendments will be set out in the Circular.

Amendments pursuant to the SFC Circular

The Trustee Ordinance was revised with effect from 1 December 2013, which, among other things, provides that a trustee of a trust is not liable for any act or omission of an agent, nominee or custodian acting for the trust if the trustee has discharged the statutory duty of care applicable to the trustee imposed under the revised Trustee Ordinance, but if such provision is inconsistent with the terms of the instrument creating the trust (in the case of The Link REIT, the Trust Deed), then such provision in the Trustee Ordinance will not apply.

Having regard to the SFC Circular, the proposed Trustee Ordinance Clarification Trust Deed Amendments will be adopted, full text of which will be set out in the Circular.

Approvals Not Required

No specific approval from Unitholders is required for the Other Trust Deed Amendments, provided that the Trustee certifies pursuant to Clause 25.1.1 of the Trust Deed and 9.6(a) of the REIT Code that, in its opinion, such modifications, alterations and/or additions to the Trust Deed are necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law). The Trustee has confirmed that it would provide the relevant certification pursuant to Clause 25.1.1 of the Trust Deed and 9.6(a) of the REIT Code in the supplemental deed to the Trust Deed to effect such amendments.

IV. EGM AND CLOSURE OF REGISTER OF UNITHOLDERS

The Circular containing among other things: (1) a letter from the Board to Unitholders containing details of, among other things, the Matters Requiring Approval and related amendments to the Trust Deed; and (2) the EGM Notice, is expected to be despatched to Unitholders on 22 December 2014. The Circular is also available on the websites of The Link REIT and Hong Kong Exchanges and Clearing Limited.

The EGM will be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 15 January 2015 at 10:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the EGM Resolution set out in the EGM Notice, which, together with the Circular, is expected to be despatched to Unitholders on 22 December 2014. The substantive text of the EGM Notice is set out in the Appendix to this announcement.

For the purpose of ascertaining Unitholders' right to attend the EGM, the register of Unitholders will be closed from Tuesday, 13 January 2015 to Thursday, 15 January 2015, both days inclusive, during which period no transfer of Units will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant unit certificates must be lodged with the unit registrar of The Link REIT, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 January 2015.

Any Unitholder who has a material interest in the EGM Resolution and that interest is different from that of all other Unitholders shall abstain from voting in respect of such resolution. As at the date of this announcement, to the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that no Unitholder is required to abstain from voting on the EGM Resolution at the EGM.

The EGM Resolution will be decided on a poll at the EGM pursuant to the Trust Deed.

V. RESPONSIBILITY STATEMENT

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information given in this announcement and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this announcement misleading.

VI. MISCELLANEOUS

A copy of the Trust Deed is available for inspection at the registered office of the Manager at all times from 9:00 a.m. to 5:00 p.m. on Business Days in accordance with the provisions of the Trust Deed. A copy of the proposed draft form of the supplemental deed to effect the Property Development Trust Deed Amendments and Other Trust Deed Amendments will be available for inspection at the registered office of the Manager from 9:00 a.m. to 5:00 p.m. on Business Days from the date of the Circular up to and including the date of the EGM.

VII. DEFINITIONS

In this announcement, the following definitions apply unless otherwise stated. Also, where terms are defined and used in only one section of this announcement, these defined terms are not included in the table below:

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| <i>Aggregate Development Costs</i> | the aggregate Property Development Costs of all Property Development and Related Activities, together with the aggregate contract value of the uncompleted units of real estate acquired by a REIT |
| <i>Board</i> | board of Directors |
| <i>Business Day</i> | has the meaning ascribed to it under the Trust Deed |
| <i>Circular</i> | the circular to Unitholders to be dated and despatched on 22 December 2014 which, among other things, provides the EGM Notice and further information on the Matters Requiring Approval and the Other Trust Deed Amendments |
| <i>Deposited Property</i> | has the meaning ascribed to it under the Trust Deed |
| <i>Developer</i> | has the meaning given to this term in the section headed “Proposed Approach regarding Property Development and Related Activities – (b) Mixed-Use Property Development” in this announcement” |
| <i>Directors</i> | directors of the Manager |
| <i>EGM</i> | the extraordinary general meeting of Unitholders convened to be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 15 January 2015 at 10:00 a.m. |
| <i>EGM Notice</i> | the notice convening the EGM to be included in the Circular, the substantive text of which is set out in the Appendix to this announcement |
| <i>EGM Resolution</i> | the Special Resolution to be proposed at the EGM as set out in the EGM Notice |
| <i>Estate</i> | has the meaning given to this term in the section headed “Proposed Approach regarding Property Development and Related Activities – (b) Mixed-Use Property Development” in this announcement |

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| <i>Excluded Property</i> | has the meaning given to this term in the section headed “Proposed Approach regarding Property Development and Related Activities – (b) Mixed-Use Property Development” in this announcement |
| <i>GAV Cap</i> | 10% of the Gross Asset Value of the Deposited Property, being the threshold limit of the Aggregate Development Costs |
| <i>Gross Asset Value of the Deposited Property</i> | means, for the purpose of calculating the denominator to be used for the purpose of the GAV Cap, the total gross asset value of the Deposited Property calculated: (i) by reference to the latest published accounts of The Link REIT as adjusted for any distribution declared and any published valuation; and (ii) in a manner similar to the determination of the total assets figure in the context of notifiable transactions under the Listing Rules, with necessary changes, but excluding the value of any investments in properties under development (which for the avoidance of doubt, shall not include the value of existing properties undergoing re-development) |
| <i>HK\$</i> | Hong Kong dollars, the lawful currency of Hong Kong |
| <i>Hong Kong</i> | the Hong Kong Special Administrative Region of The People’s Republic of China |
| <i>Hong Kong Stock Exchange</i> | The Stock Exchange of Hong Kong Limited |
| <i>JV Co</i> | has the meaning given to this term in the section headed “Proposed Approach regarding Property Development and Related Activities – (b) Mixed-Use Property Development” in this announcement |
| <i>Listing Rules</i> | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| <i>Manager</i> | The Link Management Limited, which is the manager of The Link REIT |
| <i>Matters Requiring Approval</i> | collectively, the proposed expansion of The Link REIT’s investment strategy so as to permit Property Development and Related Activities together with the Property Development Trust Deed Amendments, which is to be considered, and if thought fit, approved by the Unitholders by the proposed EGM Resolution |
| <i>Minor Trust Deed Amendments</i> | the proposed minor amendments to the Trust Deed, the details of which will be set out in the Circular |

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| <i>Mixed-Use Property Development</i> | Property Development and Related Activities in connection with mixed-use developments that contain retail/commercial portions as well as non-retail/commercial portions (such as residential apartment, hotel and/or serviced apartment) |
| <i>Other Trust Deed Amendments</i> | collectively, the Minor Trust Deed Amendments and the Trustee Ordinance Clarification Trust Deed Amendments |
| <i>Property Development and Related Activities</i> | the acquisition of uncompleted units in a building by a REIT and property developments (including both new development projects and re-development of existing properties) undertaken in accordance with the REIT Code, but does not include refurbishments, retrofittings and renovations |
| <i>Property Development Trust Deed Amendments</i> | the proposed amendments to the Trust Deed in connection with the proposed expansion of The Link REIT's investment strategy so as to permit Property Development and Related Activities, the details of which will be set out in the Circular |
| <i>Property Development Costs</i> | the total project costs borne and to be borne by a REIT in relation to the property development project, inclusive of all costs associated with such project. These costs include, but are not limited to, where applicable, the costs for the acquisition of land, development or construction costs, financing costs, stamp duty and professional fees |
| <i>REIT Code</i> | the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being |
| <i>REIT Code Amendments</i> | the amendments to the REIT Code to, among other things, allow for greater flexibility in the investment scope of REITs, namely: (i) investments in Property Development and Related Activities; and (ii) investments in certain specified financial instruments, effective from 29 August 2014 |
| <i>REIT(s)</i> | real estate investment trust(s) |
| <i>Retail/Commercial Stand-Alone Property Development</i> | Property Development and Related Activities in respect of a retail and/or commercial stand-alone development |
| <i>SFC</i> | the Securities and Futures Commission of Hong Kong |

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| <i>SFC Circular</i> | the Circular to Management Companies and Trustees of SFC-authorized Hong Kong domiciled funds published by the SFC on 17 April 2014 |
| <i>SFO</i> | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being |
| <i>Special Purpose Vehicle</i> | has the meaning ascribed to it under the Trust Deed |
| <i>Special Resolution</i> | a resolution of Unitholders passed by a majority consisting of 75% or more of the votes of those present and entitled to vote, whether in person or by proxy, at a general meeting of Unitholders, where the votes shall be taken by way of poll but with a quorum of two or more Unitholders holding not less than 25% of the Units in issue |
| <i>Target Retail/Commercial Property</i> | has the meaning given this term in the section headed “Proposed Approach regarding Property Development and Related Activities – (b) Mixed-Use Property Development” in this announcement |
| <i>The Link REIT</i> | The Link Real Estate Investment Trust, a collective investment scheme authorised under section 104 of the SFO, whose Units are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 823), and where the context requires, includes companies and/or Special Purpose Vehicles owned and/or controlled by it |
| <i>Trust Deed</i> | the trust deed dated 6 September 2005 between the Trustee and the Manager constituting The Link REIT, as amended and supplemented by ten supplemental deeds dated 4 November 2005, 8 November 2005, 16 January 2006, 21 November 2006, 13 July 2007, 23 July 2007, 5 October 2009, 23 July 2010, 25 July 2012 and 18 February 2014, respectively |
| <i>Trustee</i> | HSBC Institutional Trust Services (Asia) Limited, in its capacity as the trustee of The Link REIT, or any successor thereof as the trustee of The Link REIT, as the context requires. All references to the Trustee in this announcement are, as the context may require, to the Trustee acting on behalf of The Link REIT and on the instructions of the Manager |
| <i>Trustee Ordinance</i> | the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being |

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| <i>Trustee Ordinance Clarification Trust Deed Amendments</i> | the proposed amendments to the Trust Deed in line with the SFC Circular, the details of which will be set out in the Circular |
| <i>Unit(s)</i> | unit(s) of The Link REIT |
| <i>Unitholder(s)</i> | holder(s) of Unit(s) |
| <i>% or per cent.</i> | per centum or percentage |

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

Hong Kong, 19 December 2014

As at the date of this announcement, the Board of the Manager comprises:

Chairman (also an Independent Non-Executive Director)

Nicholas Robert SALLNOW-SMITH

Executive Directors

George Kwok Lung HONGCHOY (*Chief Executive Officer*)

Andy CHEUNG Lee Ming (*Chief Financial Officer*)

Non-Executive Director

Ian Keith GRIFFITHS

Independent Non-Executive Directors

William CHAN Chak Cheung

Eva CHENG LI Kam Fun

Anthony CHOW Wing Kin

May Siew Boi TAN

Peter TSE Pak Wing

Nancy TSE Sau Ling

David Charles WATT

Richard WONG Yue Chim

Elaine Carole YOUNG

APPENDIX – SUBSTANTIVE TEXT OF THE EGM NOTICE

“NOTICE IS HEREBY GIVEN that an extraordinary general meeting of unitholders (the **“Unitholders”**) of The Link Real Estate Investment Trust (**“The Link REIT”**) will be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 15 January 2015 at 10:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution as a Special Resolution:

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meanings as that defined in the circular dated 22 December 2014 of The Link REIT (the **“Circular”**).

SPECIAL RESOLUTION

“THAT:

- (A) pursuant to Clauses 20.2.7 and 25.1 of the trust deed constituting The Link REIT (the **“Trust Deed”**), approval be and is hereby given for: (i) the proposed expansion of The Link REIT’s investment strategy so as to permit Property Development and Related Activities as set out in the Property Development Trust Deed Amendments; and (ii) the Property Development Trust Deed Amendments as set out in Appendix I to the Circular, a copy of which marked A and signed by the chairman of meeting for identification purposes is presented to the meeting; and
- (B) The Link Management Limited (as manager of The Link REIT) (the **“Manager”**), any director of the Manager and the Trustee each be and is hereby severally authorised to complete and do or cause to be done all such acts and things (including without limitation executing such supplemental deed to the Trust Deed and all other documents as may be required) as the Manager, such director of the Manager or the Trustee, as the case may be, may consider expedient or necessary or in the interests of The Link REIT to give effect to the matters resolved upon in sub-paragraph (A) of this resolution.”

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

Hong Kong, 22 December 2014”