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## **Link Real Estate Investment Trust**

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

**(stock code: 823)**

### **ACQUISITION OF PRC PROPERTY**

#### **京通罗斯福广场 (BEIJING JINGTONG ROOSEVELT PLAZA)**

The Board is pleased to announce that pursuant to the SPA dated 26 November 2018, Link (through the Buyer) has agreed to acquire the Sale Share (being the entire issued share capital of the Target Co) and the Sale Loan from the Seller. The Consideration is RMB2,560 million (which represents the Agreed Property Value), *plus* (if it is a positive figure) or *minus* (if it is a negative figure) the amount of Provisional Net Assets Adjustment. The Target Co owns the entire issued share capital of the HK Co, which in turn owns the entire registered capital of the PRC Co.

The Seller and the Guarantor are ultimately and beneficially owned by ARA Asia Dragon Fund II Limited and are Independent Third Parties.

The PRC Co is the sole owner of the Property known as 京通罗斯福广场 (BEIJING JINGTONG ROOSEVELT PLAZA) at 21 Cuijingbei Lane, Jiukeshu Avenue, Liyuan Town, Tongzhou District, Beijing. The Property comprises retail floors from Basement 1 to Level 6 and 576 car parking spaces at Basement 2 and 3. Link intends to hold the Property as a long-term investment.

The Property is subject to the Mortgage which will continue after Completion. Amount of principal and interest which will become outstanding on the New Facility after Completion – presently estimated to be approximately RMB749 million on the Pro-forma Completion Statement – will be deducted from the balance of the Consideration payable to the Seller on Completion as part of the Provisional Net Assets Adjustment.

As at the Valuation Date, the Property, based on its existing use, had an Appraised Value of RMB2,560 million according to the Valuation Report by the Independent Property Valuer, which equals the Agreed Property Value.

Pursuant to the SPA, the Buyer shall pay the Deposit of approximately RMB179 million to the Escrow Agent (in USD Equivalent) within 5 Business Days upon the execution of the SPA. The Deposit will be released and applied towards part payment of the Consideration on Completion.

Completion will take place on 23 January 2019, or such other date as the Seller and the Buyer may agree in writing. On the Completion Date, the Buyer will pay:

- (A) the Bulletin 7 Escrow Amount (being approximately RMB78 million) in USD Equivalent to the Escrow Agent which will hold and apply the same to settle the Seller's Bulletin 7 Tax once determined by the PRC tax authority, and
- (B) balance of the Consideration (after the Provisional Net Assets Adjustment (being the negative figure of approximately RMB769 million) and the agreed hold-back sum pursuant to the SPA) of approximately RMB1,508 million in USD Equivalent to the Seller.

There are Conditions Precedent to Completion in the SPA. **Completion of the Acquisition is subject to the fulfilment or (where applicable) waiver of such Conditions Precedent, and it may or may not take place.** The Manager will make an announcement if the Conditions Precedent are not satisfied (and have not been waived) on or prior to the Completion Date and no Completion takes place on the Completion Date. **Unitholders and potential investors of Link are advised to exercise caution when dealing in the Units.**

The Manager will make an announcement when Completion takes place. Upon Completion, Link will become the sole owner of the Target Group and the Property subject to the Tenancies and the Mortgage. The Manager will also make an announcement when the Consideration is finally determined upon the Final Net Assets Adjustment.

The Guarantor has unconditionally and irrevocably guaranteed to the Buyer the due and punctual performance, observance and discharge by the Seller of all its obligations, commitments, undertakings, representations, warranties, indemnities and covenants under and pursuant to the SPA.

This announcement is made pursuant to 10.3 and 10.4 of the REIT Code. The Consideration (equivalent to approximately HK\$2,891 million) together with the Expenses (approximately HK\$7 million): (1) represents approximately 1.9% of the total market capitalization of Link (based on the average closing price of the Units on the Stock Exchange for the five Business Days immediately preceding the date of this announcement); (2) represents approximately 1.36% of the total assets of Link as at 30 September 2018 (as disclosed in the 2018/19 Interim Results Announcement) after adjusting for the interim distribution declared by Link on 14 November 2018; and (3) is less than 15% of the gross asset value of Link as at 30 September 2018 (as disclosed in the 2018/19 Interim Results Announcement).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Seller, the Guarantor, and their respective ultimate beneficial owner(s) is an Independent Third Party. Accordingly, the Acquisition does not constitute a connected party transaction of Link under the REIT Code.

The Board (including the independent non-executive Directors) is satisfied that the Acquisition and the entering into by the Buyer of the SPA and the transactions contemplated thereunder are at arm's length, on normal commercial terms, fair and reasonable and in the interest of Link and the Unitholders as a whole. The Board is satisfied, and (based on and in sole reliance on the opinion of the Board and the information and confirmation provided by the Manager, and having taken into account its duties under the Trust Deed and the REIT Code) the Trustee is also satisfied, that no Unitholders' approval is required under the REIT Code and the Trust Deed for the Buyer to enter into the SPA and the transactions contemplated thereunder.

## **SECTION I. OVERVIEW**

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On 26 November 2018, the Buyer (being a wholly-owned SPV of Link) entered into the SPA with the Seller under which Link has agreed to acquire the Target Group from the Seller. Completion in accordance with the terms of the SPA will take place on 23 January 2019.

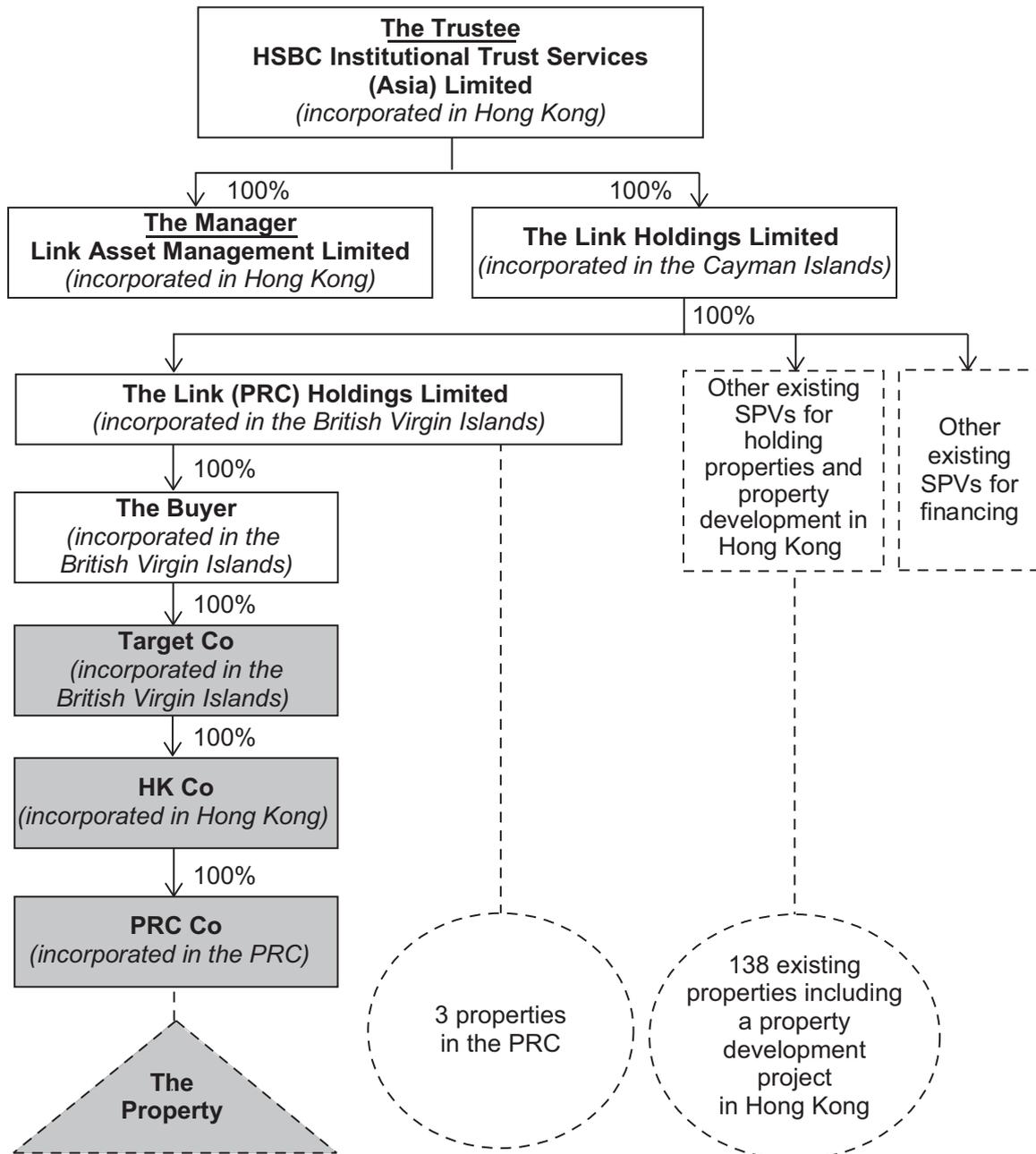
Upon the Acquisition, Link will become the sole owner of 京通罗斯福广场 (BEIJING JINGTONG ROOSEVELT PLAZA) at 21 Cuijingbei Lane, Jiukeshu Avenue, Liyuan Town, Tongzhou District, Beijing. The Property forms the retail podium of a large scale mixed use development which includes an office portion known as Jincheng Center and four 31-storey towers of the residential development known as Jincheng Fu. Link intends to hold the Property as a long-term investment.

## SECTION II. KEY TERMS OF THE SPA

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- (A). Date: 26 November 2018
- (B). Parties:
- (i) LINK R.E. INVESTMENTS LIMITED – being the Seller and an Independent Third Party;
  - (ii) JIREH R.E. HOLDINGS LIMITED – being the Guarantor and an Independent Third Party; and
  - (iii) MIDDLE RIVER DEVELOPMENTS LIMITED – being the Buyer and a wholly-owned SPV of Link set up for the Acquisition.
- (C). Subject of the Acquisition: Pursuant to the SPA, the Seller shall sell and the Buyer shall purchase the Sale Share (being the entire issued share capital of the Target Co) and the Seller shall also assign the Sale Loan (in full and at face value) to the Buyer, free from all encumbrances.
- (D). Information of the Target Group and holding structure after Completion: The Target Co has no business activity other than its holding of the entire issued share capital of the HK Co. The HK Co has no business activity other than its holding of the entire registered capital of the PRC Co and engaging in the Permitted Business following Completion. The PRC Co has no business activity other than its ownership and asset management operations of the Property.

Upon Completion, Link will become the sole owner of the Target Group and the Property subject to existing Tenancies and the Mortgage. Set out below is a simplified chart showing the holding structure of the Target Group and the Property immediately after Completion:



(E). Consideration and Payment:

(i) The Consideration for the Sale Share and the Sale Loan is RMB2,560 million (which represents the Agreed Property Value), *plus* the amount of Provisional Net Assets Adjustment if it is a positive figure or *minus* the amount of the Provisional Net Assets Adjustment if it is a negative figure.

- (ii) The Provisional Net Assets Adjustment records net liability of approximately RMB769 million. Being a negative figure, the amount of net liability will be deducted from the Consideration payable to the Seller on the Completion Date.

The Buyer will pay the Consideration as follows:

- a. the Deposit of approximately RMB179 million (being 10% of the Consideration as adjusted by the negative figure of the Provisional Net Assets Adjustment) to the Escrow Agent in USD Equivalent within 5 Business Days after the execution of the SPA. On and subject to Completion, the Deposit (together with accrued interest) will be applied by the Escrow Agent towards part payment of the Consideration and released to the Seller in accordance with the terms of the Escrow Agreement and the SPA;
- b. (subject to Completion) on the Completion Date, the Bulletin 7 Escrow Amount (of approximately RMB78 million) in USD Equivalent to the Escrow Agent, who will apply the same to settle the Seller's Bulletin 7 Tax (once determined by the PRC Authority) in accordance with the terms of the Escrow Agreement and the SPA; and
- c. (subject to Completion) on the Completion Date, the balance of approximately RMB1,508 million in USD Equivalent to the Seller after deducting also the hold back sum pursuant to the SPA.

(F). Provisional Net Assets Adjustment and Final Net Assets Adjustment:

Completion accounts of the Target Group Companies for the period from 1 January 2018 up to the Completion Date will be audited by KPMG in accordance with the relevant terms of the SPA.

Completion Statement in respect of the current assets, furniture and equipment, and total liabilities of the Target Group as of the Completion Date – based on the information of the completion accounts – will also be reviewed by KPMG in accordance with the relevant terms of the SPA. The amount of such current assets, furniture and equipment, and total liabilities as determined by KPMG in accordance with the SPA will be the Final Net Assets Adjustment according to which:

- (i). if the Provisional Net Assets Adjustment (in net liability) is smaller than the Final Net Assets Adjustment (also in net liability), then the Seller shall pay to the Buyer the amount of the difference in the manner as specified in the SPA; and
- (ii). if the Provisional Net Assets Adjustment (in net liability) is greater than the Final Net Assets Adjustment (also in net liability), then the Buyer shall pay to the Seller the amount of the difference in the manner as specified in the SPA.

The Manager is satisfied that the basis for determining the Consideration (including the Provisional Net Assets Adjustment and Final Net Assets Adjustment) has been arrived at after arm's length negotiation and is fair and reasonable and in the interest of Link and the Unitholders as a whole.

(G). Completion:

Subject to the terms of the SPA, Completion will take place on 23 January 2019 (or such other date as the Seller and the Buyer may agree in writing), whereupon against payments by the Buyer, the Seller will transfer the Sale Share and assign the Sale Loan to the Buyer pursuant to the terms of the SPA for Link to become the sole owner of the Target Group and the Property.

(H). Conditions Precedent: Completion shall be conditional on the following all having been fulfilled, or waived in whole or in part by the Buyer (with or without condition) on or before Completion:

- (i). no breach of the fundamental warranties;
- (ii). no substantial or material part of the Property – being, in total, 30 per cent. or more of the GFA – is condemned, closed or declared dangerous by PRC Authority, or rendered inaccessible, damaged or destroyed for any reason between the signing of the SPA and Completion; and
- (iii). the New Facility remaining fully valid and effective, and the New Facility having been drawn down in full by PRC Co for repayment of the Existing Facility.

If the Conditions Precedent (not having been waived) are not satisfied prior to the Completion Date, the Buyer may terminate the SPA and the Deposit (together with accrued interest) will be returned to the Buyer without prejudice to all other rights or remedies available to the Buyer.

(I). Failure to complete: Subject to all of the Conditions Precedent having been satisfied, if the Seller or the Buyer does not fully comply with its obligations under the SPA on or before the Completion Date, the Buyer may by notice to the Seller or the Seller may by notice to the Buyer (as the case may be) postpone Completion to a date falling not more than 14 Business Days after the original Completion Date, proceed to Completion as far as possible, or terminate the SPA in accordance with the terms of the SPA.

If the SPA is terminated due to the Buyer's failure to complete, the Deposit (together with accrued interest) shall be forfeited by the Seller. Conversely, if the SPA is terminated due to the Seller's failure to complete, the Deposit (together with accrued interest) shall forthwith be returned to the Buyer and the Seller shall be liable to pay the difference in price to the Buyer if it shall sell the Property to another person at a higher price within 6 months from the date of termination of the SPA.

(J). Warranties and Indemnities & Guarantee:

The SPA contains warranties and indemnities by the Seller customary for transactions of this nature and scale. The SPA also provides for a hold back sum of agreed amount in support of claim by the Buyer on the tax indemnity and for breach of warranties. If no claim is made by the Buyer during a period of 12 months from the Completion Date, the hold back sum (or balance thereof after accounting for claim for breach of tax indemnity and/or warranties) shall be returned to the Seller on the first anniversary of the Completion Date.

The Guarantor has unconditionally and irrevocably guaranteed to the Buyer the due and punctual performance, observance and discharge by the Seller of all its obligations, commitments, undertakings, representations, warranties, indemnities and covenants under and pursuant to the SPA.

Having considered the sum retained as aforesaid and the guarantee, the Manager is of the view that the arrangements sufficiently protect the interest of Link and the Unitholders as a whole.

(K). Other Transaction Documents:

Other customary transaction documents pursuant to the SPA which will be entered into on Completion include:

- deed of tax indemnity;
- trade mark license agreement for the PRC Co to use the trademark 罗斯福广场 ROOSEVELT PLAZA for 2 years from the Completion Date with right to extend for a further 1 year; and

- assignment of the Sale Loan and termination agreement in respect of the existing mall and car park management with 上海晟际物业管理有限公司北京通州分公司.

### SECTION III. THE PROPERTY

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(A). General description: The Property is a retail podium with underground car parking spaces known as 京通罗斯福广场 (BEIJING JINGTONG ROOSEVELT PLAZA) at 21 Cuijingbei Lane, Jiukeshu Avenue, Liyuan Town, Tongzhou District, Beijing. It comprises retail floors from Basement 1 to Level 6, and 576 car parking spaces on Basement 2 and Basement 3.

(B). Tenancies: According to the Valuation Report (based on the information provided by the Seller), as at 31 October 2018:

- retail occupancy of the Property was approximately 96.2% with 268 retail Tenancies;
- retail Tenancies which will expire, respectively, in the remaining period of 2018, 2019 and 2020 represent, respectively, approximately 1.3%, 32.6% and 19.3% of the gross lettable area of the Property;
- the monthly passing income of the Property (excluding management fees) was approximately RMB10,260,000 with retail income of approximately RMB9,421,000/month, and other income of RMB839,000/month (including RMB460,000/month from car parking fees); and
- top three retail trades of the Property by total monthly rental income (base rent and excluding management fees) were food and beverage, fashion and accessories, and lifestyle were, respectively, approximately 37.5%, 23.5% and 20.4%.

- (C). Ownership: The Property is solely held by the PRC Co. It comprises:
- (i). 73 retail shopping units (and storage spaces) on retail floors from Basement 1 to Level 6 with a total retail GFA of approximately 67,545.7 sqm and 404 car parking spaces with GFA of approximately 18,831 sqm GFA on Basement 2 under 477 Home Ownership Title Certificates; and
  - (ii). 172 Civil Defense Car Parks at Basement 3 under the Jincheng Center Commercial and Parking Commodity Housing Presale Contract dated 12 March 2013 (as supplemented) (金成中心商业及车位商品房预售合同) (预售许可证号：京房售证字(2012)215号) and made between the PRC Co and the Developer under which the PRC Co has the right to use and receive all the income and rentals from the Civil Defense Car Parks for a term of 20 years.

- (D). Land use right: According to the Land Use Rights Certificate (京通国用2012出第00151号) dated 19 November 2012 granted to the Developer, land use rights for the retail use (including storage at Basement 1) and the 404 car parking spaces at Basement 2 will expire, respectively, on 8 December 2050 and 8 December 2060.

If the term of the land use rights of the Property is not extended after their respective expiry dates mentioned above, the PRC Co will have no further land use rights upon expiry. If the term of the land use rights of the Property is extended, land premium or other consideration may be payable by the PRC Co for such extension, the amount of which cannot be ascertained at this stage. If the 20-year term of the Civil Defense Car Parks is not extended, the PRC Co will have no further right to use them. If it is extended, the Developer may request payment the amount of which cannot be ascertained at this stage.

In assessing the Appraised Value, the Independent Property Valuer has not assigned any value to any extension of the term of the land use rights or extension of right to use the Civil Defense Car Parks upon the expiry of their respective terms.

(E). Asset management post-Completion: The Manager is satisfied that, after Completion, it will have full operational control over the management of the Property. Subject to Completion, the Manager will appoint reputable manager to manage the day-to-day operations of the retail podium and the 576 car parking spaces at the Property.

(F). The Mortgage: The Property is presently charged by the PRC Co to the Lender under a mortgage entered into on 27 September 2013 pursuant to the Existing Facility which will be replaced by the Mortgage upon draw down of the New Facility and repayment in full of the Existing Facility before Completion. The Mortgage under the New Facility was entered into on 21 September 2018 by the PRC Co in favor of the Lender. The Mortgage under the New Facility will continue after Completion as security for amount outstanding under the New Facility.

Amount of principal and interest that will become outstanding on the New Facility on full draw down – estimated to be RMB749 million at the date of the announcement – will be deducted from the balance of the Consideration payable to the Seller on Completion as part of the Provisional Net Asset Adjustment.

The Manager considers continuing the New Facility and the Mortgage on the Property after Completion has no material financial impact on Link taken as a whole.

(G). Valuation of the Property: As at the Valuation Date, the Property, based on its existing use, had an Appraised Value of RMB2,560 million (including the value of RMB8 million attributable to the Civil Defense Car Parks) according to the Valuation Report by the Independent Property Valuer.

## **SECTION IV. FEES AND EXPENSES**

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No fee or charge is payable to the Manager as a result of the Acquisition.

No fee or charge is payable to the Trustee as a result of the Acquisition, apart from the Trustee's remuneration under the Trust Deed which is based on prescribed percentages per annum of the Property Values (as defined in the Trust Deed) applicable to Link's real estate situated, respectively, in and outside Hong Kong.

No agency fee is payable by the Manager or the Buyer in connection with the Acquisition.

The Manager currently has no immediate plan to undertake major improvements or re-develop the Property. Further, based on the information from the Seller and the due diligence survey on the condition of the Property carried out by building consultants appointed by the Manager, other than normal and recurring maintenance in relation to the Property and some small-scale enhancement works for the Property which will not involve material amounts, the Manager does not expect any significant capital expenditure in respect of the Property in the immediate future.

## **SECTION V. FINANCIAL INFORMATION OF THE TARGET GROUP**

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Based on the information provided by the Seller, (i) the Target Group has not prepared any audited consolidated financial statements; (ii) the financial statements of the HK Co were audited and prepared in accordance with the Hong Kong Financial Reporting Standards; and (iii) the financial statements of the PRC Co were audited and prepared in accordance with the PRC Generally Accepted Accounting Principles.

The following figures are extracted from the audited financial statements for the two years ended 31 December 2016 and 31 December 2017 of the HK Co and the PRC Co and from the unaudited financial statements for two years ended 31 December 2016 and 31 December 2017 of the Target Co, as provided by the Seller and are solely for reference purposes. They do not represent the future performance of the Target Group or the Property:

	Target Co		HK Co		PRC Co	
	Year ended and as at 31 December 2016 (Unaudited) USD	Year ended and as at 31 December 2017 (Unaudited) USD	Year ended and as at 31 December 2016 (Audited) USD	Year ended and as at 31 December 2017 (Audited) USD	Year ended and as at 31 December 2016 (Audited) RMB	Year ended and as at 31 December 2017 (Audited) RMB
(1) Revenue	-	-	-	-	107,239,985	117,582,058
(2) Net property income, before depreciation	-	-	-	-	60,412,792	74,931,904
(3) Net profit/(loss) before tax	(942)	(673)	(7,000)	(5,974)	(64,816,610)	(54,167,358)
(4) Net profit/(loss) after tax	(942)	(673)	(7,000)	(5,974)	(64,816,610)	(54,167,358)
(5) Net assets/(liabilities)	(3,565)	(4,238)	(3,165,237)	(3,171,211)	773,529,347	719,361,989

According to the information provided by the Seller, net loss of the PRC Co for the two years ended 31 December 2016 and 31 December 2017 was mainly due to finance cost incurred under the Existing Facility and the depreciation charges attributable to the Property according to PRC Generally Accepted Accounting Principles, and the net liabilities of the HK Co and the Target Co as at 31 December 2016 and 31 December 2017 were accumulated losses due to, respectively, finance cost associated with a prior bridging loan (which had since been repaid) and corporate maintenance expenses (which are insignificant in amounts). Finance cost will be gradually reduced following the loan repayment. Depreciation charges on the Property will be reversed at group consolidation prepared in accordance with Hong Kong Financial Reporting Standards. For the reasons set forth in SECTION VII, the Manager is of the view that the prospect of the Property is good, which will also improve the performance of the Target Group.

## **SECTION VI. FINANCIAL IMPACT AND FUNDING OF THE ACQUISITION**

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The Consideration of RMB2,560 million (equivalent to approximately HK\$2,891 million) together with the Expenses (approximately HK\$7 million) and the payment upon the Final Net Assets Adjustment (if any) will be entirely funded from Link's own cash resources and/or debt facilities. The Acquisition is not expected to have any material adverse impact on the financial position of Link as compared to that as at 30 September 2018 (as disclosed in the 2018/19 Interim Results Announcement).

Upon Completion, based on the consolidated financial position of Link as at 30 September 2018 (as disclosed in the 2018/19 Interim Results Announcement), the pro-forma adjusted ratio of debt to total assets of Link is anticipated to change from approximately 10.3% to approximately 11.6% assuming a drawdown of HK\$2,029 million on Link's debt facilities and after adjustments for (i) the interim distribution by Link declared on 14 November 2018, and (ii) an inclusion of the Appraised Value as if the Acquisition took place on 30 September 2018.

## **SECTION VII. REASONS FOR THE ACQUISITION**

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The Acquisition is in line with the current investment strategy of Link to invest in yield-accretive and income-producing real estate which has potential for long-term growth. Upon Completion, the Property will be held as a long-term investment and will add to Link's large and diversified portfolio of retail and commercial real estate in Hong Kong and in Tier-1 cities of the PRC. The Manager considers the Acquisition is in the interest of Link and the Unitholders as a whole for the following reasons:

- *A sub-centre of Beijing*

Tongzhou is a district southeast of Beijing and is considered the eastern gateway to the nation's capital. Tongzhou is a rapidly developing district and its centre lies approximately 20 kilometers east of central Beijing. The Beijing Municipal Committee has officially announced its plan to relocate many municipal departments to Tongzhou. The ongoing improvements of the city infrastructure and public services within Tongzhou will continue to bring in more economic activities as well as residential and working population.

- *Strong consumption demand*

The Property is located within an established residential area of Tongzhou. Approximately 30% of the district's population live within a three-kilometer radius of 京通罗斯福广场 (BEIJING JINGTONG ROOSEVELT PLAZA). Disposable income of Tongzhou residents has been growing at approximately 10% annually since 2013. Impending new residential developments around the Property are expected to bring more footfall and generate further retail demand for food and beverage, lifestyle, kids/education and entertainment services.

- Good connectivity

The Property is situated along Beiyuan South Road, the main artery of Tongzhou District. It is also adjacent to Jincheng Center, a 23-storey office building, and Jiukeshu (九棵树) metro station of Batong line (八通线), approximately 30 minutes away from Beijing CBD. The Property should also benefit from the new metro extension currently under construction to Universal Studio Beijing which is expected to open in 2020, and a planned metro line connecting to the new Beijing airport.

- A high-quality community mall with proven performance and stable revenue

According to the Valuation Report (which is based on the information provided by the Seller), the occupancy rate of the Property was 96.2% as at 31 October 2018. At present, tenants of the Property comprise a dynamic mix of retailers including food and beverage, fashion/accessories, kids/education and lifestyle, health and beauty, and a cinema. Currently, a significant portion of the rental income from the Property is base rent generating a stable rental income. The retail is well served by the 576 car parking spaces.

- Near term opportunities

The Property was opened for business in 2014. According to the Valuation Report (which is based on the information provided by the Seller), retail Tenancies which will expire in the remaining period of 2018, 2019, and 2020 represent, respectively, approximately 1.3%, 32.6% and 19.3% of the gross lettable area of the Property. Following the expiry of these retail Tenancies, the second lease cycle presents opportunity for the Manager to enhance rental reversion and performance of the Property through upgrading the trade-mix. It is expected that the net property income of the PRC Co will increase which will improve the financial performance of the Target Group. Rise in income will also increase the capital value of the Property which will be in the interest of Link and the Unitholders as a whole.

- Established asset management team

The Property is currently managed by a team which has almost four years' experience of leasing, property management, and car park operations of the Property. The Manager will retain core members of this team at the PRC Co after Completion. In addition, the Manager will appoint reputable external manager who is licensed and has experience in providing property management services in the PRC to provide facility management, car park management and day-to-day property services support to the asset management team at the PRC Co in managing the retail podium and the car parks thereat.

The Agreed Property Value was agreed between the Seller and the Buyer after arm's length commercial negotiation and having considered the quality of the Property, its strategic location in the Beijing/Tongzhou area, prevailing market conditions and trade-mix enhancement potentials, and there is no discount to the Appraised Value. The Manager does not expect the Acquisition to result in a material change to the overall risk profile of Link. The Acquisition is consistent with the investment policy of Link and the Manager's objective of investing in real estate with potentials for income and capital value growth.

## **SECTION VIII. INFORMATION ON THE TARGET GROUP**

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The Target Co is a company incorporated in the British Virgin Islands and owns the entire issued share capital of the HK Co. The principal business of the Target Co is investment holding.

The HK Co is a company incorporated in Hong Kong and owns the entire registered capital of the PRC Co. The principal business of the HK Co is investment holding. After Completion, the HK Co will provide services solely to support the business activities of the PRC Co such as legal, financial and treasury, human resources and administration, and supervisory functions (the ***Permitted Business***).

The PRC Co was established in the PRC on 28 January 2013. The principal business of the PRC Co is the operation, leasing and asset management in respect of the Property. The current term of operation of the PRC Co is from 28 January 2013 to 27 January 2053. The PRC legal adviser to the Manager, Jun He Law Offices, is of the view that there are no legal impediments to the renewal of the term of operation of the PRC Co since such renewal will primarily involve formality and procedural requirements. The PRC legal adviser to the Manager has further confirmed that there are no legal impediments to the remittance of dividends from any retained earnings of the PRC Co out of the PRC to the HK Co (as the sole shareholder of the PRC Co) provided that such remittance is made in accordance with the relevant PRC foreign investment, foreign exchange laws and regulations.

## **SECTION IX. OPINION OF THE BOARD**

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The Board (including the independent non-executive Directors) is satisfied that the SPA and the Other Transaction Documents as well as the respective transactions contemplated thereunder are at arm's length, on normal commercial terms, fair and reasonable and in the interest of Link and the Unitholders as a whole. The Board is satisfied that no Unitholders' approval is required under the REIT Code and the Trust Deed for the Buyer to enter into the SPA and the transactions contemplated thereunder.

## **SECTION X. CONFIRMATION BY THE MANAGER**

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The Manager has conducted due diligence on the Target Group as well as the Property in accordance with the relevant provisions of the REIT Code, the Practice Note on Overseas Investments by SFC-authorized REITs contained in the REIT Code, and the Manager's compliance manual. No material irregularity or non-compliance issues have been identified during due diligence and the Manager is satisfied with the due diligence results.

The Manager confirms that, in relation to the Acquisition, the Practice Note on Overseas Investments by SFC-authorized REITs contained in the REIT Code has been complied with.

The PRC legal adviser to the Manager, Jun He Law Offices, has advised the Manager that the PRC Co legally holds the land use rights and ownership rights of such Property with Home Ownership Title Certificates (see Section III above) and can legally occupy, use, lease and transfer such Property (subject only to the existing Tenancies and the Mortgage). Based on the advice from Jun He Law Offices, the Manager is of the view that Link (through the Buyer and the PRC Co) will upon Completion have good marketable legal and beneficial title to such Property as aforesaid (subject only to the existing Tenancies and the Mortgage).

## **SECTION XI. OPINION OF THE TRUSTEE**

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Based on and in sole reliance on the opinion of the Board and the information and confirmation provided by the Manager (and having taken into account its duties under the Trust Deed and the REIT Code), the Trustee has no objection to the Acquisition and the Buyer entering into the SPA and the transactions contemplated thereunder. Further, the Trustee is satisfied that: (i) the Acquisition is consistent with Link's investment policy and in compliance with the REIT Code and the Trust Deed; and (ii) no Unitholders' approval is required under the REIT Code and the Trust Deed for the Buyer to enter into the SPA and the transactions contemplated thereunder.

## **SECTION XII. REGULATORY IMPLICATIONS**

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This announcement is made pursuant to 10.3 and 10.4 of the REIT Code. The Consideration of RMB2,560 million (equivalent to approximately HK\$2,891 million) together with the Expenses (approximately HK\$7 million): (1) represents approximately 1.9% of the total market capitalization of Link (based on the average closing price of the Units on the Stock Exchange for the five Business Days immediately preceding the date of this announcement); (2) represents approximately 1.36% of the total assets of Link as at 30 September 2018 (as disclosed in the 2018/19 Interim Results Announcement) after adjusting for the impact of the interim distribution declared by Link on 14 November 2018; and (3) is less than 15% of the gross asset value of Link as at 30 September 2018 (as disclosed in the 2018/19 Interim Results Announcement).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries: (a) each of the Seller, the Guarantor, and their respective ultimate beneficial owner(s) is an Independent Third Party; and (b) each of the parties to the Other Transaction Documents is an Independent Third Party. Accordingly, each of the Acquisition and the Other Transaction Documents does not constitute a connected party transaction of Link under the REIT Code.

- **Waiver from strict compliance with 7.5(c) of the REIT Code**

Under 7.5(c) of the REIT Code, a REIT may hold real estate through special purpose vehicles provided that, among other things, the special purpose vehicles are (i) established for the sole purpose of directly holding real estate for the REIT and/or arranging financing for the REIT, or (ii) formed solely for the purpose of holding interests in one or more special purpose vehicles mentioned in (i).

The Manager has applied to the SFC for a waiver from strict compliance with 7.5(c) of the REIT Code such that: (a) the HK Co will be permitted to directly employ not more than 10 employees (the ***HK Co Employees***) for the Permitted Business; and (b) the PRC Co will be permitted to directly employ (or continue to employ) not more than 70 employees for the Core Functions (as defined in (b) below) (the ***Core Function Employees***).

(a) *HK Co Employees*

After Completion, the HK Co intends to directly employ the HK Co Employees for the purposes of conducting the Permitted Business. The HK Co will not engage in any activities or businesses unrelated to its investment in the PRC Co and the Property.

The proposed employment arrangements of the HK Co Employees for the Permitted Business will be in the interest of Link for the following reasons:

- (i) Subject to approval by the relevant tax authorities, the employment of the HK Co Employees will enable the HK Co to be eligible for a preferential withholding tax rate (currently, 5% as opposed to the standard withholding tax rate of 10%) in respect of dividends paid by the PRC Co, the absence of which will reduce the Total Distributable Income (as defined in the Trust Deed) of Link, which will not be in the interest of Link nor the Unitholders as a whole.
- (ii) If a HK Co Employee were to be engaged by a third-party employer, Link would still expect to bear the costs of that employee's employment. Additional costs and other potential liabilities may also arise as a result of the involvement of a third-party employer. The proposed direct employment arrangement by the HK Co is not expected to result in any greater material adverse financial liability to Link than an arrangement involving a third-party employer.

- (iii) The activities of the HK Co will support the functions of the PRC Co and will be for the sole benefit of the PRC Co and, following Completion, the HK Co will not engage in any other activities or businesses unrelated to its investment in the PRC Co and the Property.

(b) Core Function Employees of the PRC Co

At Completion, the PRC Co intends to directly employ (or continue to employ) the Core Function Employees for the purposes of conducting the Core Functions only. The functions of the Core Function Employees will be limited to the Core Functions.

Certain obligations and functions of the PRC Co (the **Core Functions**) are required by the PRC laws and regulations to be performed by the PRC Co which include:

- (i) legal and regulatory functions (for example, government authority liaison, obtaining government approvals, handling and responding to government enquiries, regulatory compliance, executing legal documents and bringing or defending legal proceedings or other proceedings, obtaining and liaising with government authorities to maintain the operational licenses of the PRC Co); and
- (ii) certain commercial functions, for example, supervising, monitoring or performing (1) various facility and property management and asset management services (such as repairs and maintenance, cleaning, security, and car park operations) to the PRC Co; and (2) office administrative services, leasing and tenant services in respect of the Property, and liaison with banks such as handling bank accounts of the PRC Co and remitting dividends to the sole shareholder of the PRC Co (being the HK Co).

The proposed employment arrangements of the Core Function Employees will be in the interest of Link for the following reasons:

- (i) There is a legal and practical necessity for the PRC Co to have a reasonable number of employees to perform the Core Functions, and supervise, monitor and perform various operational activities and enter into ancillary contracts on behalf of the PRC Co with third parties whereby the PRC Co is required to become a direct contracting party.
- (ii) The Manager does not expect such employment arrangements to cause material liabilities or losses to Link which is an internally-managed REIT nor will the costs of employment of the Core Function Employees represent any significant liability or loss to Link.
- (iii) The fact that engaging a third-party facility/property management company to provide property and facility management services to the PRC Co will not relieve the PRC Co from its obligations to supervise and monitor the Core Functions.

- (iv) If a Core Function Employee were to be engaged by a third-party employer, Link would still expect to bear the costs of that employee's employment. Additional costs and other potential liabilities may also arise as a result of the involvement of a third-party employer. The proposed direct employment arrangement by the PRC Co is not expected to result in any greater material adverse financial liability to Link than an arrangement involving a third-party employer.
- (v) If the PRC Co employs the Core Function Employees instead of appointing another service provider to perform the Core Functions, in the event that the appointment of any such service provider is discontinued for any reason, the PRC Co will still have staff with knowledge and expertise continuity to perform the Core Functions. This minimizes the disruption to the day-to-day operations of the Property and the PRC Co.

For the reasons stated above, the Manager does not expect that the proposed employment arrangements of the HK Co Employees and the Core Function Employees will result in any significant liability or loss to Link. Based on the information provided by the Seller, the aggregate number of employees of the HK Co and the PRC Co is currently expected not to exceed 80. The Manager does not expect that there will be a significant increase in the total number of employees employed (or to be employed) by the HK Co (for the Permitted Business) and the PRC Co (for the Core Functions) after Completion.

- **Submission with regard to 7.5(d) of the REIT Code**

The Manager has made a submission in respect of 7.5(d) of the REIT Code (regarding the use of more than two layers of SPVs) to hold the Property through intermediate holding companies for the purpose of organizing Link's non-Hong Kong investments, subject to Completion and the condition that there will be no change to the maximum number of six layers of SPVs used by Link for holding the Property without further approval of the SFC.

- **Further Announcements**

The Manager will make further announcements upon Completion and when the Consideration is finally determined according to the Completion Statement, or alternatively, if the Conditions Precedent have not been satisfied or (where applicable) waived on or prior to Completion and no Completion takes place on the Completion Date. Completion of the Acquisition is subject to the fulfilment or (where applicable) waiver of the Conditions Precedent. **Unitholders and potential investors of Link are advised to exercise caution when dealing in the Units.**

## SECTION XIII. GENERAL

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- **About the Buyer and Link**

The Buyer is a company incorporated in the British Virgin Islands and an SPV indirectly and wholly-owned by Link. The Buyer currently has no other business activity and it will solely be used to hold the Target Group and the Property upon Completion.

Link is a collective investment scheme authorised by the SFC whose Units are listed on the Main Board of the Stock Exchange (stock code: 823). HSBC Institutional Trust Services (Asia) Limited is the Trustee. Link, managed by the Manager, currently has a diversified portfolio of retail and office properties and car parking spaces in Hong Kong and Mainland China.

- **About the Seller and the Guarantor**

According to the information provided by the Seller, the Seller and the Guarantor are ultimately and beneficially owned by ARA Asia Dragon II Limited (**ADF II**), a fund managed by an affiliate of ARA Asset Management Limited. The investors in ADF II include institutional investors from the US and other countries. ARA Asset Management Limited is a premier global integrated real assets fund manager. The principal business of the Seller is investment holding and that of the Guarantor is also investment holding.

## SECTION XIV. DEFINITIONS

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In this announcement, the following definitions apply unless otherwise stated.

<b>2018/19 Interim Results Announcement</b>	the Interim Results Announcement of Link for the 6 months ended 30 September 2018 announced on 14 November 2018
<b>Acquisition</b>	the acquisition of the Target Group by the Buyer from the Seller pursuant to the terms of the SPA
<b>Agreed Property Value</b>	RMB2,560 million, being the value of the Property as agreed between the Buyer and the Seller for the Acquisition
<b>Appraised Value</b>	RMB2,560 million (including RMB8 million attributable to the Civil Defense Car Parks), being the appraised value of the Property as at the Valuation Date according to the Valuation Report

<b>Board</b>	the board of directors of the Manager
<b>Bulletin 7</b>	Bulletin [2015] No. 7 issued by the PRC State Administration of Taxation on 3 February 2015 (including any law, rule, regulation, circular and bulletin officially promulgated or issued in replacement thereof)
<b>Bulletin 7 Escrow Amount</b>	(approximately) RMB78 million to be paid out of the Consideration and held by the Escrow Agent for settlement of the Seller's Bulletin 7 Tax (once determined) in accordance with the terms of the Escrow Agreement and the SPA
<b>Bulletin 7 Tax</b>	the amount of PRC tax payable by the Seller pursuant to the requirements of Bulletin 7 arising out of the disposal of the Target Group to the Buyer
<b>Business Day</b>	means a day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong, New York, the PRC and Singapore
<b>Buyer</b>	MIDDLE RIVER DEVELOPMENTS LIMITED, a company incorporated in the British Virgin Islands and a wholly-owned SPV of Link
<b>Civil Defense Car Parks</b>	the 172 car parking spaces at Basement 3 of 京通罗斯福广场 (BEIJING JINGTONG ROOSEVELT PLAZA) which are situated on area(s) designated for use as air-raid shelters in times of war but are permitted for use as car parks during peacetime pursuant to the 人防工程使用证 (京(通)防用字094 and 095号) by 北京市通州区民防局
<b>Completion and Completion Date</b>	completion of the Acquisition on 23 January 2019 (or such other date as may be agreed between the Buyer and the Seller in writing) pursuant to the terms of the SPA
<b>Completion Statement</b>	the statement showing the current assets, furniture and equipment, and total liabilities of the Target Group at the Completion Date which is based on the information in the completion accounts of the Target Group Companies for the period from 1 January 2018 up to the Completion Date and the format of the Pro-forma Completion Statement

<b>Conditions Precedent</b>	has the meaning given to this term in “SECTION II. KEY TERMS OF THE SPA – (H). Conditions Precedent” above
<b>Connected person</b>	has the meaning given to this term under Chapter 8 of the REIT Code
<b>Consideration</b>	has the meaning given to this term in “SECTION II. KEY TERMS OF THE SPA – (E). (i)” above
<b>Core Function Employees</b>	has the meaning given to this term in “SECTION XII. REGULATORY IMPLICATIONS – Waiver from strict compliance with 7.5(c) of the REIT Code” above
<b>Core Functions</b>	has the meaning given to this term in “SECTION XII. REGULATORY IMPLICATIONS – Waiver from strict compliance with 7.5(c) of the REIT Code – (b) Core Function Employees of the PRC Co” above
<b>Deposit</b>	(approximately) RMB179 million which will be paid to the Escrow Agent and applied on Completion as part payment of the Consideration
<b>Developer</b>	北京金隅大成开发有限公司, being the developer of the land Lot No. 120620400064000000 at Tongzhou of which the Property forms part
<b>Directors</b>	the directors of the Manager
<b>Escrow Agent</b>	The Hongkong and Shanghai Banking Corporation Limited appointed pursuant to the Escrow Agreement
<b>Escrow Agreement</b>	the escrow agreement to be entered into among the Buyer, the Seller and the Escrow Agent on or before the signing of the SPA
<b>Existing Facility</b>	the fixed asset loan facilities of RMB855,000,000 made available by the Lender to the PRC Co under the Fixed Asset Loan Agreement dated 27 September 2013 (as amended on 13 January 2014) which will be repaid in full on draw-down of the New Facility before Completion
<b>Expenses</b>	expenses in an aggregate amount of approximately HK\$7 million payable by the Buyer mainly for professional services fees in connection with the Acquisition

<b><i>Final Net Assets Adjustment</i></b>	the amount of the current assets and furniture and equipment less the total liabilities of the Target Group as of the Completion Date (including amount of principal and interest that will be outstanding under the New Facility), each as shown in the Completion Statement as finally determined in accordance with the relevant terms of the SPA
<b><i>Guarantor</i></b>	JIREH R.E. Holdings Limited, a company incorporated in the British Virgin Islands
<b><i>GFA</i></b>	gross floor area
<b><i>HK Co</i></b>	FIRST VENTURE R.E. LIMITED, a company incorporated in Hong Kong, which is a direct wholly-owned subsidiary of the Target Co
<b><i>HK Co Employees</i></b>	has the meaning given to this term in “SECTION XII. REGULATORY IMPLICATIONS – Waiver from strict compliance with 7.5(c) of the REIT Code” above
<b><i>Hong Kong and HK\$</i></b>	respectively, the Hong Kong Special Administrative Region of The People’s Republic of China and Hong Kong dollars, the lawful currency of Hong Kong
<b><i>Independent Property Valuer</i></b>	Jones Lang LaSalle Limited, the current Principal Valuer (as defined in the REIT Code) of Link and an independent property valuer (within the meaning of Chapter 6 of the REIT Code) appointed for valuing the Property for the purpose of the Acquisition
<b><i>Independent Third Party</i></b>	an independent third party who is not a connected person of Link
<b><i>KPMG</i></b>	KPMG, which will be appointed for (among others) reviewing the Completion Statement for the purpose of ascertaining the Final Net Assets Adjustment
<b><i>Lender</i></b>	中国银行股份有限公司北京通州支行
<b><i>Link</i></b>	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), whose Units are listed on the Main Board of the Stock Exchange (stock code: 823), and where the context requires, includes the SPVs

<b><i>Listing Rules</i></b>	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b><i>Manager</i></b>	Link Asset Management Limited, in its capacity as the manager of Link
<b><i>Mortgage</i></b>	mortgage on the Property (being《抵押合同》(编号：2018013RGD001)) dated 21 September 2018 by the PRC Co in favour of the Lender
<b><i>New Facility</i></b>	the fixed loan facilities of RMB745,000,000 by the Lender to the PRC Co pursuant to the 固定资产借款合同(编号：2018013RG001) dated 21 September 2018 for the PRC Co for draw down before Completion to repay the Existing Facility
<b><i>Other Transaction Documents</i></b>	(among others) those documents mentioned in “SECTION II. KEY TERMS OF THE SPA – (K). Other Transaction Documents” above
<b><i>Permitted Business</i></b>	has the meaning given to this term in “SECTION VIII. INFORMATION ON THE TARGET GROUP” above
<b><i>PRC and PRC Authority</i></b>	respectively, The People’s Republic of China and the bureaus (including the tax bureau), departments, and government authorities of The People’s Republic of China at national, provincial, municipal or district level having jurisdiction over the PRC Co and the subject of the Acquisition
<b><i>PRC Co</i></b>	北京亚腾房地产经营管理有限公司, a company established in the PRC and the sole owner of the Property
<b><i>Pro-forma Completion Statement</i></b>	the pro-forma statement showing the Provisional Net Assets Adjustment as of the Completion Date based on the information in the management accounts of the Target Group Companies and in the format and with the contents as agreed in the SPA
<b><i>Property</i></b>	the retail podium and the parking spaces as described in “SECTION III. THE PROPERTY – (A).” above
<b><i>Provisional Net Assets Adjustment</i></b>	the difference between (i) the current assets and furniture and equipment, and (ii) the total liabilities of the Target Group (comprising account/tax/other payables, inter-company balances, and amount of principal and interest that will become outstanding after draw down of the New Facility (presently estimated to be approximately RMB749 million)) as of the Completion Date according to the Pro-forma Completion Statement

<b>REIT Code</b>	the Code on Real Estate Investment Trusts published, and as may be amended or supplemented from time to time, by the SFC
<b>REIT(s)</b>	real estate investment trust(s)
<b>RMB</b>	Renminbi, the lawful currency of the PRC
<b>Sale Loan</b>	the shareholder's loan of approximately USD166 million due from the HK Co to the Seller which will be assigned (in full and at face value) to the Buyer on Completion pursuant to the terms of the SPA
<b>Sale Share</b>	the one issued share in the capital of the Target Co, being its entire issued share capital
<b>Seller</b>	LINK R.E. INVESTMENTS LIMITED, a company incorporated in the British Virgin Islands and wholly-owned by the Guarantor
<b>SFC</b>	the Securities and Futures Commission of Hong Kong
<b>SPA</b>	the sale and purchase agreement dated 26 November 2018 among the Buyer, the Seller and the Guarantor in respect of the Acquisition
<b>SPV(s)</b>	special purpose vehicle(s) that is/are owned and controlled by Link in accordance with the REIT Code and the Trust Deed
<b>sqm</b>	square metre
<b>Stock Exchange</b>	The Stock Exchange of Hong Kong Limited
<b>Target Co</b>	LINCOLN R.E. INVESTMENTS LIMITED, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Seller
<b>Target Group</b>	collectively, the Target Co, the HK Co and the PRC Co, and <b>Target Group Company</b> is any – and <b>Target Group Companies</b> means all – of them
<b>Tenancies</b>	all subsisting tenancies, lettings, and licenses in respect of the retail spaces and car parking spaces at the Property
<b>Trust Deed</b>	the trust deed dated 6 September 2005 between the Trustee and the Manager constituting Link (as amended and supplemented by twelve supplemental deeds)

<b>Trustee</b>	HSBC Institutional Trust Services (Asia) Limited, in its capacity as the trustee of Link
<b>Unit(s) and Unitholder(s)</b>	unit(s) of Link and holder(s) of Unit(s), respectively
<b>USD</b>	US dollars, the lawful currency of the United States of America
<b>USD Equivalent</b>	(of any sum in RMB) the sum in USD which is equivalent to such sum in RMB calculated at the "Spot US\$/CNY(HK) Fixing" quoted by the Treasury Markets Association based on the average rate for a period of 10 Business Days immediately preceding the second Business Day prior to the date on which the relevant sum is to be paid (or, if such benchmark rate is not available on the date concerned, such benchmark rate last available before the date concerned)
<b>Valuation Date</b>	31 October 2018
<b>Valuation Report</b>	the valuation report on the Property dated 22 November 2018 by the Independent Property Valuer for the purpose of the Acquisition

The HK\$ equivalent of RMB disclosed in this announcement is arrived at using the Treasury Markets Association spot rate (RMB1: HK\$1.1292) quoted as at the date of this announcement.

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

Hong Kong, 26 November 2018

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

*Chairman (also an Independent Non-Executive Director)*

Nicholas Charles ALLEN

*Executive Directors*

George Kwok Lung HONGCHOY (*Chief Executive Officer*)

Andy CHEUNG Lee Ming (*Chief Operating Officer*)

*Non-Executive Director*

Ian Keith GRIFFITHS

*Independent Non-Executive Directors*

Christopher John BROOKE

Ed CHAN Yiu Cheong

Blair Chilton PICKERELL

Poh Lee TAN

May Siew Boi TAN

Peter TSE Pak Wing

Nancy TSE Sau Ling

Elaine Carole YOUNG