
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your units in The Link Real Estate Investment Trust ("The Link REIT"), you should at once hand this Circular, together with the accompanying proxy form, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This Circular is for information purposes only and does not constitute an offer or invitation to subscribe for or purchase any securities, nor is it calculated to invite any such offer or invitation.



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)

CIRCULAR TO UNITHOLDERS IN RELATION TO

**(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

A notice convening the extraordinary general meeting of unitholders of The Link REIT 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. is set out on pages N-1 to N-3 of this Circular.

Whether or not you are able to attend the aforesaid extraordinary general meeting in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the unit registrar of The Link REIT, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

22 December 2014

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DEFINITIONS

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

“Aggregate Development Costs”	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
“Board”	board of Directors
“Business Day”	has the meaning ascribed to it under the Trust Deed
“Deposited Property”	has the meaning ascribed to it under the Trust Deed
“Developer”	has the meaning given to this term in section C.IV(b) of this Circular
“Directors”	directors of the Manager
“EGM”	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.
“EGM Notice”	the notice convening the EGM as set out on pages N-1 to N-3 of this Circular
“EGM Resolution”	the Special Resolution to be proposed at the EGM, as set out in the EGM Notice and explained in this Circular
“Estate”	has the meaning given to this term in section C.IV(b) of this Circular
“Excluded Property”	has the meaning given to this term in section C.IV(b) of this Circular
“GAV Cap”	10% of the Gross Asset Value of the Deposited Property, being the threshold limit of the Aggregate Development Costs

DEFINITIONS

“Gross Asset Value of the Deposited Property”	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)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“JV Co”	has the meaning given to this term in section C.IV(b) of this Circular
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Manager”	The Link Management Limited, which is the manager of The Link REIT
“Matters Requiring Approval”	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
“Minor Trust Deed Amendments”	the proposed minor amendments to the Trust Deed, the details of which are set out in Part A of Appendix II to this Circular

DEFINITIONS

“Mixed-Use Property Development”	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)
“Other Trust Deed Amendments”	collectively, the Minor Trust Deed Amendments and the Trustee Ordinance Clarification Trust Deed Amendments
“Property Development and Related Activities”	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
“Property Development Trust Deed Amendments”	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 are set out in Appendix I to this Circular
“Property Development Costs”	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
“REIT Code”	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being
“REIT Code Amendments”	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
“REIT(s)”	real estate investment trust(s)
“Retail/Commercial Stand-Alone Property Development”	Property Development and Related Activities in respect of a retail and/or commercial stand-alone development

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFC Circular”	the Circular to Management Companies and Trustees of SFC-authorised Hong Kong domiciled funds published by the SFC on 17 April 2014
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being
“Special Purpose Vehicle”	has the meaning ascribed to it under the Trust Deed
“Special Resolution”	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
“Target Retail/Commercial Property”	has the meaning given to this term in section C.IV(b) of this Circular
“The Link REIT”	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
“Trust Deed”	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

DEFINITIONS

“Trustee”	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 Circular are, as the context may require, to the Trustee acting on behalf of The Link REIT and on the instructions of the Manager
“Trustee Ordinance”	the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being
“Trustee Ordinance Clarification Trust Deed Amendments”	the proposed amendments to the Trust Deed in line with the SFC Circular, the details of which are set out in Part B of Appendix II to this Circular
“Unit(s)”	unit(s) of The Link REIT
“Unitholder(s)”	holder(s) of Unit(s)
“%” or “per cent.”	per centum or percentage

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Hong Kong time unless otherwise stated.



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)

Directors of the Manager:

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

Registered Office:

33/F., AXA Tower,
Landmark East,
100 How Ming Street,
Kwun Tong, Kowloon,
Hong Kong

22 December 2014

To: Unitholders of The Link REIT

Dear Sir or Madam,

CIRCULAR TO UNITHOLDERS IN RELATION TO

**(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

SECTION A. INTRODUCTION

Reference is made to the announcement dated 19 December 2014 of The Link REIT in relation to, among other things, the Matters Requiring Approval (being the proposed expansion of The Link REIT's investment strategy to permit Property Development and Related Activities and the Property Development Trust Deed Amendments).

LETTER FROM THE BOARD TO UNITHOLDERS

The purpose of this Circular is to provide you with the EGM Notice and further information on the Special Resolution to be proposed at the EGM regarding the Matters Requiring Approval.

SECTION B. 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 Circular.

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.

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

I. 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.

LETTER FROM THE BOARD TO UNITHOLDERS

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.

II. 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 section C.IV below.

III. 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

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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 Circular:

Age of property	Number of assets	Internal floor area ⁽¹⁾ (million square feet)	Appraised value (HK\$' million)
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⁾
	174	10.8	108,994.4

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

LETTER FROM THE BOARD TO UNITHOLDERS

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 Circular 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.

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IV. 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 section C.VI of this Circular.

(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 ("**Target Retail/Commercial Property**") of a comprehensive mixed-use development ("**Estate**") that also comprises

LETTER FROM THE BOARD TO UNITHOLDERS

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 (“**Developer**”), for example, through the establishment of a joint venture company (“**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

LETTER FROM THE BOARD TO UNITHOLDERS

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 section C.VI of this Circular.

V. Risk Factors

Undertaking Property Development and Related Activities may involve, without limitation, the following characteristics and risks:

- **Construction risk.** The progress and costs of Property Development and Related Activities may be affected by factors such as shortages of materials, equipment, contractors and skilled labour, labour disputes, construction accidents, natural catastrophes and adverse weather conditions. 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 affect the expected investment return of the project.
- **Risk of default of the construction project counterparties.** If The Link REIT (or the Developer where the Manager undertakes Mixed-Use Property Development) engages third party contractors to carry out various works in relation to Property Development and Related Activities, it cannot guarantee that the services rendered by such third party contractors will always be satisfactory or match The Link REIT's expected quality and standards and its timing requirements. Such contractors may undertake projects for other development companies and their resources may be diverted, or they may encounter financial or other difficulties, which may cause delay in the completion of the Retail/Commercial Stand-Alone Property Development (or the Target Retail/Commercial Property in the case of a Mixed-Use Property Development) or increase the costs of construction.

LETTER FROM THE BOARD TO UNITHOLDERS

- **Risk of failure or delay in obtaining governmental approvals.** In order to develop and complete a property development, various governmental permits, licences, certificates and other regulatory approvals at various stages of the property development process are required. Each approval is dependent on the satisfaction of certain conditions. The Link REIT (or the Developer in the case of a Mixed-Use Property Development) may encounter problems or delay in obtaining such approvals or in fulfilling the conditions required for obtaining the approvals. If The Link REIT (or the Developer in the case of a Mixed-Use Property Development) fails to obtain the approvals or to fulfill the conditions of those approvals for its property development in a timely manner, or at all, the property development may not proceed on schedule. In addition, if there is any change in local legislation, rules and regulations relating to property development (such as the imposition of additional requirements for obtaining the requisite permits or approvals), The Link REIT may need to revise its original property development plan, leading to extra costs and completion delay. The occurrence of any of the foregoing may adversely impact The Link REIT's financial condition, results of operations and level of distributions to Unitholders.
- **Financing risk.** Property development projects typically require substantial capital expenditure prior to and during the construction period. The Link REIT may have to obtain debt facilities to finance the construction project. The debt facilities to be provided to The Link REIT may not be on attractive terms as the availability of borrowings depends on the prevailing market conditions and the acceptability of financing terms offered by lenders. Increases in interest rates, construction delays, increases in construction costs, a deterioration in the business environment of commercial properties resulting in lower than expected rental yield and/or decrease in property value, may increase the financing and/or other costs of the development project, which in turn, may adversely impact The Link REIT's financial condition.
- **Risk of joint venture or collaboration disputes with the Developer.** Any joint venture or collaboration arrangement entered into by The Link REIT in relation to a Mixed-Use Property Development may involve a number of risks including: (i) disputes with the Developer in connection with the performance of the respective parties' obligations under the relevant joint venture or collaboration arrangement; (ii) disputes as to the scope of each party's responsibilities under the arrangement; and (iii) conflicts between the policies and/or objectives of the Developer and The Link REIT causing delay, cost increase or other project execution difficulties. These disputes may lead to legal proceedings and may result in damage to The Link REIT's reputation, incurrence of substantial costs and the diversion of resources and management's attention. Although the Manager will seek to mitigate such risks (for example, through the clear delineation of responsibilities and appropriate dispute resolution mechanisms), the occurrence of any of the foregoing and related difficulties could adversely affect The Link REIT's predicted financial return on the property development project, and ultimately, the financial return to Unitholders.

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- **Potential exposure to the construction costs and liabilities in respect of the Excluded Property.** Financial difficulties encountered by the Developer in a Mixed-Use Property Development may affect the Developer's ability to perform its obligations under the relevant joint venture or collaboration arrangement with The Link REIT causing delay, cost increase or other difficulties to the relevant project. Such obligations include, but are not limited to, the Developer's obligations to fund the construction costs and bear the liabilities in respect of the Excluded Property (and, if applicable, the proportion of the Target Retail/Commercial Property that the Developer has an interest in). Although the Manager will seek to mitigate such risks (for example, through the measures set out in section C.VI(c) of this Circular such as engaging a reputable, suitably qualified and financially sound developer, as well as ensuring 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), the occurrence of the foregoing difficulty could adversely affect The Link REIT's predicted financial return on the property development project, and ultimately, the financial return to Unitholders.
- **Misalignment of interests.** In a Mixed-Use Property Development, the Developer and the Manager may have different economic or business interests/goals with each other, which may impact the decisions of the directors appointed respectively by the Developer and the Manager to the joint venture company on certain matters. There may also be conflicts between the policies or objectives adopted by the Developer and the Manager. Although the Manager will 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, it may not have absolute control over the entire joint venture company. For example, the Manager may not have control over the Excluded Property or absolute control over certain matters (such as design changes that affect the entire Estate) which may require the unanimous approval of the directors appointed by the Manager and the Developer. Notwithstanding the reasonable steps that the Manager may take, such as better project planning and co-ordination with the Developer in advance, if such unanimous approval cannot be obtained in a timely manner and construction of the entire Estate is delayed, the Target Retail/Commercial Property may also be affected (for example, due to a lack of foot traffic if the Excluded Property or shared Estate amenities have yet to be completed), which could in turn have an adverse impact on The Link REIT's results of operations.
- **Risk of delay and impact on income.** During its construction phase, a Retail/Commercial Stand-Alone Property Development (or a Target Retail/Commercial Property in the case of a Mixed-Use Property Development) will not generate any rental income for The Link REIT. This period may be prolonged if completion of the construction phase is delayed. There is also a

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risk that by the time construction is completed, the retail/commercial property market may deteriorate, in which case The Link REIT will receive less rental income than it expects on the financial return from its investment in respect of the relevant property. Although the Manager will take all reasonable steps to avoid delay, this risk may arise due to factors that are beyond the control of the Manager. The reduced rental income received by The Link REIT may adversely impact The Link REIT's liquidity position, financial condition, results of operations and level of distributions to Unitholders.

VI. 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 in this section C.VI(a).

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.

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(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 in this section C.VI(b).

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(c) Other Risk Mitigation Measures

In addition to amending its compliance manual and ensuring full compliance with the requirements set out in sections C.VI(a) and C.VI(b) 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.

VII. 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 is set out in Appendix I to this Circular.

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- **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 section C.VI(a) 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.

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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 are set out in Appendix I to this Circular (see new Clause 12.14 of the Trust Deed).

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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 section C.IV(b) 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

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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.

VIII. 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.

IX. Recommendation

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 and accordingly recommends Unitholders to vote in favour of the EGM Resolution at the EGM.

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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 C.VI(b) headed "Corporate Governance" and C.VI(c) headed "Other Risk Mitigation Measures", 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.

SECTION D. 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.

I. 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 Minor Trust Deed Amendments are set out in Part A of Appendix II to this Circular.

II. 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 Trustee Ordinance Clarification Trust Deed Amendments will be adopted in the form set out in Part B of Appendix II to this Circular.

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III. 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.

SECTION E. EXTRAORDINARY GENERAL MEETING

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, which is set out on pages N-1 to N-3 of this Circular.

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 Circular, 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.

SECTION F. RESPONSIBILITY STATEMENT

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular 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 Circular misleading.

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SECTION G. 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 this Circular up to and including the date of the EGM.

Yours faithfully,
By order of the board of directors of
The Link Management Limited
(as manager of The Link Real Estate Investment Trust)
Nicholas Robert SALLNOW-SMITH
Chairman

APPENDIX I PROPERTY DEVELOPMENT TRUST DEED AMENDMENTS

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix I with the proposed insertions and deletions indicated by, respectively, the underlined text and the strike-through text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix I are terms defined in the Trust Deed and have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to the EGM Resolution)

1. A new definition of "Aggregate Development Costs" be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

"**Aggregate Development Costs**" means the total of the Property Development Costs and the aggregate contract value relating to any acquisition of uncompleted units in a building by the Trust;"

2. The definition of "Authorised Investments" under Clause 1.1 of the Trust Deed be amended as follows:

"**Authorised Investments**" means... (ii) any improvement or extension of or addition to or reconstruction or renovation or other development of any Real Estate (including Property Development and Related Activities);..."

3. A new definition of "Excluded Property" be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

"**Excluded Property**" shall have the meaning ascribed to it in Clause 12.14.1;"

4. A new definition of "GAV Cap" be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

"**GAV Cap**" means 10% of the Gross Asset Value of the Deposited Property, being the threshold limit of the Aggregate Development Costs;"

5. A new definition of "Gross Asset Value of the Deposited Property" be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

"**Gross Asset Value of the Deposited Property**" 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 Trust 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);"

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6. A new definition of “Property Development and Related Activities” be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

“**Property Development and Related Activities**” means the acquisition of uncompleted units in a building by the Trust and property developments (including both new development projects and re-development of existing Real Estate held by the Trust), but does not include refurbishments, retrofittings and renovations;”

7. A new definition of “Property Development Costs” be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

“**Property Development Costs**” means the total project costs borne and to be borne by the Trust in respect of the Property Development and Related Activities;”

8. The definition of “Special Purpose Vehicle” under Clause 1.1 of the Trust Deed be amended as follows:

“**Special Purpose Vehicle**” shall mean a special purpose vehicle that is owned and controlled by the Trust in accordance with the REIT Code and/or other published guidelines, policies, practice statements or other guidance issued by the SFC which for the avoidance of doubt, shall not include the Manager or the Manager Subsidiaries;”

9. A new definition of “Target Retail/Commercial Property” be inserted in alphabetical order under Clause 1.1 of the Trust Deed as follows:

“**Target Retail/Commercial Property**” shall have the meaning ascribed to it in Clause 12.14.1;”

10. A new Clause 9.1A be inserted immediately after Clause 9.1 of the Trust Deed as follows:

9.1A Gross Asset Value of the Deposited Property

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 be determined in accordance with the following formula:

$$\text{Gross Asset Value of the Deposited Property} = \text{GAV} - D \pm V - \text{DRI}$$

Where:

GAV = total assets as shown in the Trust's latest published accounts;

APPENDIX I PROPERTY DEVELOPMENT TRUST DEED AMENDMENTS

- D = the amount of any distribution proposed in the Trust's latest published accounts and any distribution declared since the issuance of the Trust's latest published accounts;
- V = the change (if any) in the Approved Valuer's determination of the value of the Trust's Real Estate, based on its valuation report(s) published subsequent to the issuance of the Trust's latest published accounts; and
- DRI = 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)."

11. Clause 12.2.2 of the Trust Deed be amended as follows:

"12.2.2 The Manager, on behalf of the Trust, directly or indirectly through Special Purpose Vehicles, may only invest in Real Estate and other Authorised Investments. Such Real Estate shall be generally income-producing. The investment policy of the Trust shall be determined by the Manager in its absolute discretion and shall include investing in Real Estate for the long term, focusing on sustainable income producing properties with the potential for long term income and capital growth and maintaining a large and diversified portfolio of non-residential Real Estate (other than Real Estate of a residential, hotel or serviced apartment nature), of a including but not limited to, stand-alone nature assets, and/or forming part of a comprehensive mixed-use (predominantly retail-based) developments, in Hong Kong and/or other overseas jurisdictions, but in all cases excluding hotels and serviced apartments and the Manager may undertake Property Development and Related Activities in respect of all types of developments that contain retail and/or commercial portions subject to the compliance with the REIT Code and this Deed."

12. Clause 12.2.2A of the Trust Deed be amended by deleting the text in its entirety and replaced with the following:

"12.2.2A ~~The Manager may acquire Real Estate in the form of uncompleted units in or portions of a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, provided that the aggregate contract value of such Real Estate shall not exceed 10% of the total Net Asset Value of the Deposited Property (or such other limit as provided in the REIT Code) at the time of acquisition.~~The Manager may engage or participate in Property Development and Related Activities provided the Aggregate Development Costs of all Property Development and Related Activities shall not exceed the GAV Cap at any time."

APPENDIX I PROPERTY DEVELOPMENT TRUST DEED AMENDMENTS

13. Clause 12.3.3 of the Trust Deed be amended by deleting the text in its entirety and replaced with the following:

“12.3.3 ~~The Trust shall not invest in vacant land or engage or participate in any property development activities (excluding, for the avoidance of doubt, refurbishment, retrofitting and renovations).~~ The Trust 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 Trust.”

14. Clause 12.3.5 of the Trust Deed be amended as follows:

“12.3.5 The Trust shall hold each Investment (which is in the nature of a Real Estate) for a period of at least two years from the date of its acquisition (or if the Trust engages in Property Development and Related Activities, from the date that such Property Development and Related Activities in respect of that Investment is completed), unless the Holders approve the disposal of such Investment by Special Resolution at a meeting to be convened by the Manager in accordance with the First Schedule.”

15. A new Clause 12.3.7 be inserted immediately after Clause 12.3.6 of the Trust Deed as follows:

“12.3.7 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.”

16. Clause 12.4.1 of the Trust Deed be amended as follows:

“12.4.1 The Trust may legally and beneficially acquire and own any Special Purpose Vehicle in accordance with the REIT Code if the Manager considers it necessary or desirable for the Trust to do so...provided that (i) the Special Purpose Vehicle is wholly owned by the Trust, or (ii) the Trust has 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) of such Special Purpose Vehicle...”

17. A new Clause 12.14 be inserted immediately after Clause 12.13 of the Trust Deed as follows:

“12.14 **Excluded Property**

12.14.1 The Trust may invest in the retail and/or commercial portions (the “**Target Retail/Commercial Property**”) of a comprehensive mixed-use development, even if that mixed-use development also comprises areas that are neither retail nor commercial in nature (such as residential, hotel and/or serviced apartment). Such areas that are neither retail nor commercial in nature (such as residential, hotel and/or serviced apartment) are defined as the “**Excluded Property**”.

The Trust may only hold the Excluded Property for the sole purpose of facilitating the investment in the Target Retail/ Commercial Property, provided: (a) the Trust 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 Trust; and (c) such holding is not inconsistent with the REIT Code or is otherwise permitted by the SFC.

12.14.2 The Manager shall use its best endeavours to ensure that the Trust ceases to hold its interest in the Excluded Property as soon as reasonably practicable.

12.14.3 The requirements and methodology relating to valuation of Real Estate set out in Clauses 9.1, 9.2 and 12.2.3 shall not apply to the Excluded Property.

12.14.4 In determining the Gross Asset Value of the Deposited Property for the purposes of Clause 9.1A, the value of the Excluded Property shall not be taken into account. In determining whether the Aggregate Development Costs of all Property Development and Related Activities are within the GAV Cap for the purposes of Clause 12.2.2A, the cost and value of the Excluded Property shall not be taken into account.

12.14.5 The requirements relating to reporting and disposal of Unauthorised Investments set out in Clause 9.7 shall not apply to the Excluded Property.

12.14.6 The requirement that Real Estate shall be generally income-producing set out in Clause 12.2.2 shall not apply to the Excluded Property.

12.14.7 The investment limitations and restrictions set out in Clause 12.3 (other than 12.3.4), including but not limited to the two-year minimum holding period and the 75% threshold requirement relating to investment in Real Estate that generates recurrent rental income, shall not apply to the Excluded Property.

12.14.8 The Manager's responsibility for the management of the assets held by any Special Purpose Vehicle set out in Clauses 12.4.3 and 12.4.4 shall not apply to the Excluded Property.

APPENDIX I PROPERTY DEVELOPMENT TRUST DEED AMENDMENTS

- 12.14.9** The requirements relating to realisation of Investments set out in Clause 12.5 shall not apply to the Excluded Property.
- 12.14.10** In determining the 45 per cent. limit for the purposes of Clause 12.10.3, the amount of any borrowing or money raising in respect of the Excluded Property shall not be taken into account for calculating the numerator, and the value of the Excluded Property shall not be taken into account for calculating the denominator.
- 12.14.11** The requirements relating to procuring insurance in relation to Investments in the nature of Real Estate set out in Clause 12.13.1 shall not apply to the Excluded Property.
- 12.14.12** In determining the remuneration of the Trustee for the purposes of Clause 16.2, the value of the Excluded Property shall not be taken into account.
- 12.14.13** The Trustee's obligations on safe custody of the Deposited Property and ensuring that no Real Estate is acquired or disposed of until a recent valuation report has been obtained set out in Clauses 19.1 and 19.2.9 shall not apply to the Excluded Property.
- 12.14.14** The Trustee's custodial obligations relating to good marketable legal and beneficial title to any Real Estate owned by the Trust as well as to the contracts entered into on behalf of the Trust with respect to the Investments set out in Clause 19.2.13 shall not apply to the Excluded Property.
- 12.14.15** 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 the net asset value set out in Clauses 20.1.7, 20.1.11, 20.1.16 and 20.1.18 shall not apply to the Excluded Property.
- 12.14.16** The Manager's duties relating to good marketable legal and beneficial title to the Real Estate owned by the Trust, implementation of appropriate policies and conducting due diligence, and maintenance of proper books and accounts and records set out in Clauses 20.2.2, 20.2.3 and 20.2.4 shall not apply to the Excluded Property.
- 12.14.17** The requirement to issue a circular to Holders set out in Clauses 31.3 and 31.4, in the context of transactions referred to in Clauses 31.3 and 31.4, shall not apply to any transaction concerning the Excluded Property."

18. Clause 31.3.3 of the Trust Deed be amended as follows:

“31.3 The Manager shall issue a circular to Holders in respect of transactions that pursuant to the REIT Code (or in the reasonable opinion of the Trustee or the Manager), require Holders’ approval, including, without limitation:

...

31.3.3 entering into a disposal of Real Estate within a period of less than two years from ~~the Acquisition Date~~the date of its acquisition (or if the Trust engages in Property Development and Related Activities, from the date that such Property Development and Related Activities in respect of that Investment is completed),”

The amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix II do not require Unitholders' approval. The proposed insertions and deletions are indicated by, respectively, the underlined text and the strike-through text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix II are terms defined in the Trust Deed and have the corresponding meanings ascribed to them in the Trust Deed.

PART A. MINOR TRUST DEED AMENDMENTS

1. Clause 9.2.1 of the Trust Deed be amended as follows:

"9.2.1 ...International Valuation Standards ~~Committee~~Council..."

2. Clause 9.4 of the Trust Deed be amended as follows:

"9.4 ...fellows or ~~associate~~-members of the Hong Kong Institute of Surveyors or the Royal Institution of Chartered Surveyors (Hong Kong Branch)..."

PART B. TRUSTEE ORDINANCE CLARIFICATION TRUST DEED AMENDMENTS

The following text be added after the last sentence of Clause 1.8 of the Trust Deed:

"...For so long as the Trust is authorised by the SFC under section 104 of the Securities and Futures Ordinance, section 41O of the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong) shall not apply to the extent that is inconsistent with Clause 19.2.3 of this Deed reflecting 4.2(a)(iii) of the REIT Code, and shall not in any way operate to exempt or diminish any liability of the Trustee as set out in this Clause reflecting 9.5 of the REIT Code."

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (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

Notes:

- (a) For the purpose of ascertaining Unitholders' right to attend the above extraordinary general meeting (the “**EGM**”), the register of Unitholders of The Link REIT will be closed from Tuesday, 13 January 2015 to Thursday, 15 January 2015, both days inclusive, during which period no transfer of units of The Link REIT (the “**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.
- (b) Any Unitholder entitled to attend the EGM is entitled to appoint one proxy or two separate proxies to attend in his/her stead. A proxy need not be a Unitholder. If more than one proxy is appointed, the relevant proxy form(s) must specify the number of Units in respect of which each such proxy is appointed.
- (c) In the case of joint Unitholders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Unitholders and for this purpose, seniority shall be determined by the order in which the names of the joint Unitholders stand in the register of Unitholders in respect of the relevant Unit.
- (d) In order to be valid, the instrument appointing a proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or other authority, if any, must be lodged with the unit registrar of The Link REIT, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof.
- (e) With regard to the proposed special resolution, please note that the Trust Deed is available in English only and the Chinese translation of any provisions of the Trust Deed provided in the Chinese versions of this notice and Appendix I to the Circular are for reference only. In case of any discrepancy, the English versions shall prevail.
- (f) The voting of the special resolution proposed at the EGM will be taken by poll.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (g) As at the date of this notice, the board of directors of the Manager comprises Mr Nicholas Robert SALLNOW-SMITH as the Chairman and also an Independent Non-Executive Director; Mr George Kwok Lung HONGCHOY (Chief Executive Officer) and Mr Andy CHEUNG Lee Ming (Chief Financial Officer) as Executive Directors; Mr Ian Keith GRIFFITHS as Non-Executive Director; and Mr William CHAN Chak Cheung, Mrs Eva CHENG LI Kam Fun, Mr Anthony CHOW Wing Kin, Ms May Siew Boi TAN, Mr Peter TSE Pak Wing, Ms Nancy TSE Sau Ling, Mr David Charles WATT, Professor Richard WONG Yue Chim and Ms Elaine Carole YOUNG as Independent Non-Executive Directors.

Please note that only tea and coffee will be served as refreshments at the EGM.

