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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**

#### **太陽新天地購物中心 (HAPPY VALLEY SHOPPING MALL\*)**

The Board is pleased to announce that pursuant to the Sale and Purchase Agreement dated 4 June 2021, Link (through the Buyer) has agreed to acquire the Sale Shares and the Sale Loans from the Seller. The Sale Shares represent all of the issued shares in the Target Company, which in turn is the indirect sole owner of the entire registered capital of the Project Company. The Project Company is the sole owner of the Property known as 太陽新天地購物中心 (Happy Valley Shopping Mall\*) located at No. 36 Machang Road, Tianhe District, Guangzhou, PRC.

The Property is an 8-storey commercial development with a 4-storey basement comprising a retail area of approximately 90,113.41 sqm and a car park with 800 parking spaces. Upon Completion, Link will (through its SPVs) become the sole owner of the Property.

The consideration is an amount equal to RMB3,204.7 million (which represents the Agreed Property Value) as adjusted by the Adjusted NAV. As at the Valuation Date, the Appraised Property Value of the Property was RMB3,350.0 million according to the Valuation Report by the Independent Property Valuer.

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 Sale and Purchase Agreement.

There are Completion Conditions in the Sale and Purchase Agreement. **Completion of the Acquisition is subject to the satisfaction or waiver of such Completion Conditions, and may or may not take place. Unitholders and potential investors of Link are advised to exercise caution when dealing in the Units.**

The Manager will make further announcements upon Completion or, alternatively, if Completion does not take place due to the non-satisfaction of the Completion Conditions. The Manager will also announce any Adjustment Payment made by the Buyer or the Seller.

This announcement is made pursuant to 10.3 and 10.4(ga) of the REIT Code since the consideration for the Acquisition is more than 1% of the gross asset value of Link. However, the Acquisition does not constitute a discloseable transaction of Link under Chapter 14 of the Listing Rules as all the applicable percentage ratios are less than 5%.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries: (i) each of the Seller, the Guarantor and their respective ultimate beneficial owners is an Independent Third Party; and (ii) each of the counterparties to the Transaction Documents and their respective ultimate beneficial owners is an Independent Third Party. Accordingly, the Acquisition and the respective transactions contemplated under the Transaction Documents do not constitute connected party transactions of Link under the REIT Code.

The Board (including the independent non-executive Directors), taking into account the Manager's duties under the Trust Deed and the REIT Code, is satisfied that: (i) the terms of the Transaction Documents and the respective transactions contemplated thereunder are fair and reasonable and in the interest of the Unitholders as a whole; (ii) the transactions contemplated under the Transaction Documents are consistent with Link's investment policy and in compliance with the REIT Code and the Trust Deed; and (iii) no Unitholders' approval is required under the REIT Code and the Trust Deed for the Buyer to enter into the Transaction Documents and the transactions contemplated thereunder.

Based on and in sole reliance on the opinion of the Board, the information in this announcement and the confirmations provided by the Manager, and having taken into account its duties under the REIT Code and the Trust Deed, the Trustee has confirmed that: (i) the transactions contemplated under the Transaction Documents are consistent with Link's investment policy and in compliance with the REIT Code and the Trust Deed; (ii) no Unitholders' approval is required under the REIT Code and the Trust Deed for the Buyer to enter into the Transaction Documents and the transactions contemplated thereunder; and (iii) it has no objection to the transactions contemplated under the Transaction Documents.

## **SECTION I. OVERVIEW**

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On 4 June 2021, the Buyer (being an indirectly wholly-owned SPV of Link) entered into the Sale and Purchase Agreement with the Seller and the Guarantor for the acquisition of the Sale Shares and the Sale Loans. The Sale Shares represent all of the issued shares in the Target Company, which is the sole owner of the entire registered capital of the Holding Company, which in turn is the sole owner of the entire registered capital of the Project Company.

The Project Company is the sole owner of the Property known as 太陽新天地購物中心 (Happy Valley Shopping Mall\*) which is located at No. 36 Machang Road, Tianhe District, Guangzhou, PRC. According to the Valuation Report, the Property is an 8-storey commercial development with a 4-storey basement comprising a retail area of approximately 90,113.41 sqm and a car park with 800 parking spaces. Upon Completion, Link will (through its SPVs) become the sole owner of the Property.

## SECTION II. KEY TERMS OF THE SALE AND PURCHASE AGREEMENT

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- (A) Date: 4 June 2021
- (B) Parties:
- (i) PD20 INVESTMENT HOLDING LIMITED – being the Seller and (to the best knowledge, information and belief of the Manager, having made all reasonable enquiries) an Independent Third Party;
  - (ii) P&D HOLDING LIMITED – being the Guarantor and (to the best knowledge, information and belief of the Manager, having made all reasonable enquiries) an Independent Third Party; and
  - (iii) DOMINANT GLOBAL INVESTMENTS LIMITED – being the Buyer and an indirectly wholly-owned SPV of Link set up for the Acquisition.
- (C) Subject of the Acquisition: Pursuant to the Sale and Purchase Agreement, the Seller will on Completion sell and transfer the Sale Shares and the Sale Loans, free from all encumbrances and together with all rights and benefits attaching thereto, to the Buyer.
- (D) Consideration and payment: The consideration for the Acquisition is an amount equal to the Agreed Property Value of RMB3,204.7 million as adjusted by the Adjusted NAV.

Based on the Agreed Property Value as adjusted by the estimated Adjusted NAV of a negative figure of RMB1,105.8 million agreed between the Parties (the “**Pro-forma Adjusted NAV**”), the initial consideration to be paid by the Buyer shall be RMB2,098.9 million (the “**Initial Price**”). The determination of the Pro-forma Adjusted NAV excludes the value of the Property and takes into account certain agreed adjustments.

The Buyer will pay the Initial Price as follows:

- (i) the amount of RMB210.0 million (the “**Deposit**”) shall be paid to the Escrow Agent on or before the fifth business day after the date of the Sale and Purchase Agreement and released and paid in accordance with the Sale and Purchase Agreement on and subject to Completion;
- (ii) the aggregate amount of RMB422.5 million (the “**Escrowed Amount**”) shall be paid to the Escrow Agent on Completion and released and paid in accordance with the Sale and Purchase Agreement upon the occurrence of certain specified events, namely the settlement of the Seller’s PRC Tax, the discharge of an existing pledge and the refinancing of certain existing bank borrowings;

- (iii) if a specified contractual arrangement has been completed in the manner contemplated under the Sale and Purchase Agreement within 3 months after Completion, an amount equal to RMB25.0 million (the "**Retention Amount**") less any Adjustment Payment payable by the Seller shall be paid to the Seller;
- (iv) an amount equal to the outstanding amount under certain specified loans (the "**Repayment Amount**") shall be applied towards the repayment of such loans on Completion; and
- (v) the remaining balance of the Initial Price after deducting the Deposit, the Escrowed Amount, the Retention Amount, the Repayment Amount and 50% of the estimated amount of stamp duty payable in respect of the Acquisition shall be paid in accordance with the Sale and Purchase Agreement on Completion.

(E) Adjustment Payment:

Completion accounts for the Group Companies for the period from 1 January 2021 to the close of business on the Completion Date will be audited by PricewaterhouseCoopers in accordance with the Sale and Purchase Agreement.

The statement of the Adjusted NAV of the Group Companies as at the close of business on the Completion Date based on the format, principles and notes set forth in the Sale and Purchase Agreement and the information in the completion accounts (the "**Completion Statement**") shall also be reviewed by PricewaterhouseCoopers.

Within five business days after the determination of the Completion Statement, the following adjustment payment (the "**Adjustment Payment**") shall be made:

- (i) if the Pro-forma Adjusted NAV is less than the Adjusted NAV as set forth in the Completion Statement (the "**Final Adjusted NAV**"), the Buyer shall pay the difference to the Seller; or
- (ii) if the Pro-forma Adjusted NAV is greater than the Final Adjusted NAV, the Seller shall pay the difference to the Buyer.

The Manager is satisfied that the basis for determining the consideration for the Acquisition (including the Pro-forma Adjusted NAV and the Final Adjusted NAV) is fair and reasonable and in the interest of the Unitholders as a whole.

(F) Completion Conditions: Completion shall be conditional upon the following conditions (the "**Completion Conditions**") being satisfied or waived in accordance with the Sale and Purchase Agreement:

- (i) there being:
  - (a) no breach of any of the fundamental warranties given by the Seller; and
  - (b) no material breach of any other warranties given by the Seller;
- (ii) no material part of the Property having been damaged or rendered inaccessible or dangerous;
- (iii) no material part of the Property having been affected by compulsory acquisition or similar action by or on behalf of any relevant government authorities of PRC;
- (iv) the Existing Property Mortgages (other than the Existing First Property Mortgage) having been discharged;
- (v) the Seller having complied with all of its obligations relating to the termination of the employees of the Group Companies as contemplated in the Sale and Purchase Agreement; and
- (vi) the Seller having complied with all of its obligations relating to certain specified loans.

The Buyer may waive any of the Completion Conditions.

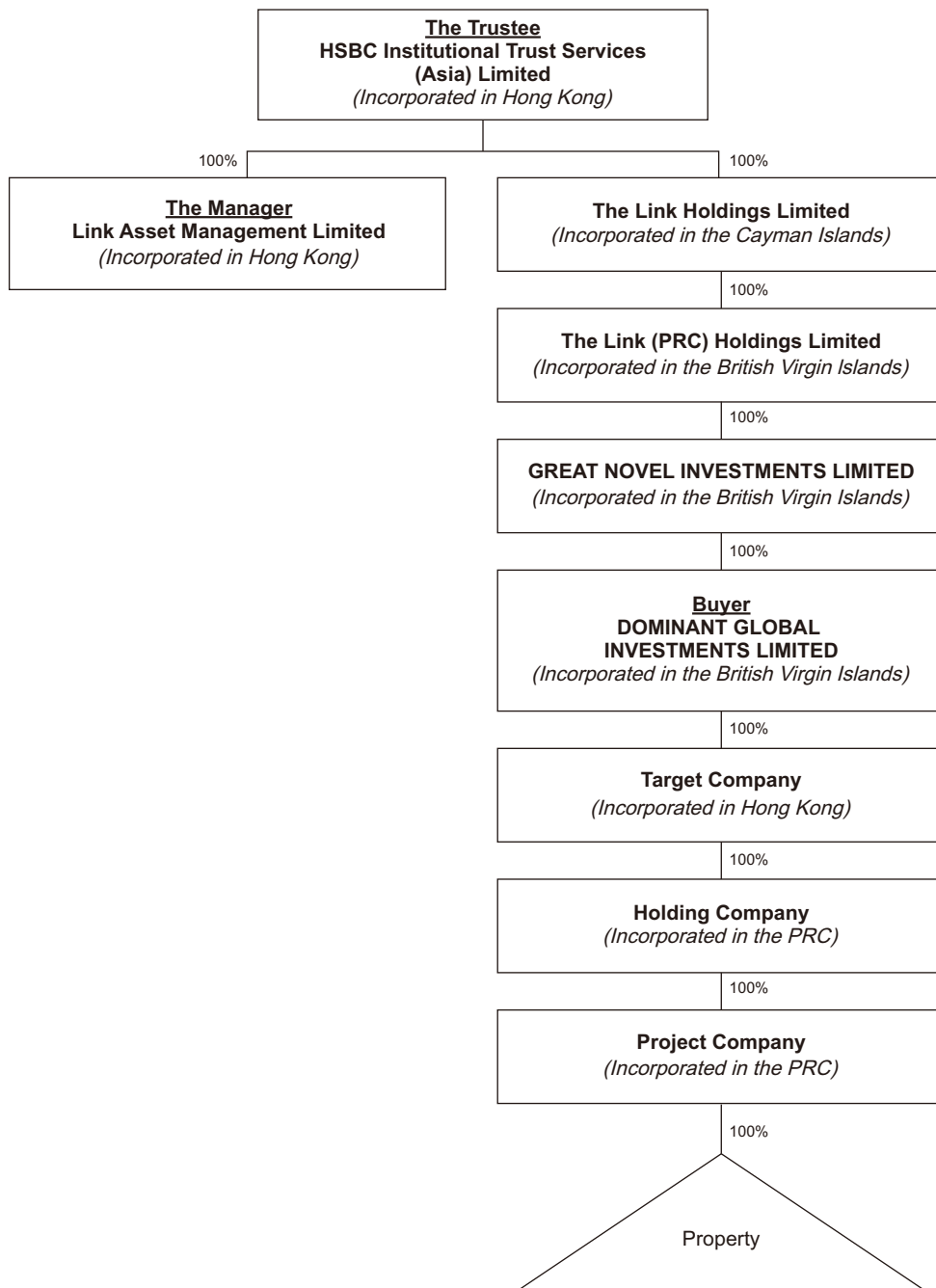
(G) Completion: Completion shall take place after the satisfaction or waiver of the Completion Conditions in accordance with the Sale and Purchase Agreement on the Completion Date whereupon the Seller and Buyer shall be subject to certain obligations.

- (H) Termination: If the Deposit is not paid in accordance with the Sale and Purchase Agreement, the Seller may terminate the Sale and Purchase Agreement by so notifying the Buyer in writing, and the Buyer shall pay to the Seller an amount equal to the Deposit as liquidated damages.
- If the Completion Conditions are not satisfied or waived by the applicable dates, the Buyer or the Seller (as the case may be) may terminate the Sale and Purchase Agreement by so notifying the Seller or the Buyer (as the case may be) in writing, and the Deposit shall be returned to the Buyer and the Seller shall pay to the Buyer liquidated damages.
- If the Seller or the Buyer (as the case may be) fails to comply with its obligations on Completion, the Buyer or the Seller (as the case may be) may terminate the Sale and Purchase Agreement by so notifying the Seller or the Buyer (as the case may be) in writing, and:
- (i) where the Seller is the defaulting party, the Deposit shall be returned to the Buyer and the Seller shall pay to the Buyer an amount equal to the Deposit as liquidated damages; and
  - (ii) where the Buyer is the defaulting party, the Deposit shall be paid to the Seller as liquidated damages.
- (I) Warranties, indemnities and guarantee: The Sale and Purchase Agreement contains warranties and indemnities by the Seller customary for transactions of this nature and scale.
- 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 Sale and Purchase Agreement.
- Having considered the above, the Manager is of the view that the arrangements sufficiently protect the interests of Link and the Unitholders as a whole.
- (J) Governing law: The laws of Hong Kong

**SECTION III. THE PROPERTY**

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Set out below is a simplified chart showing the holding structure of the Property immediately after Completion:



(A) General description: The Property is an 8-storey commercial development with a 4-storey basement known as 太陽新天地購物中心 (Happy Valley Shopping Mall\*) located at No. 36 Machang Road, Tianhe District, Guangzhou, PRC (廣州市天河區馬場路36號). According to the Valuation Report, the Property comprises a retail area of approximately 90,113.41 sqm and a car park with 800 parking spaces.

The Property was completed in 2012. According to the Valuation Report, the approximate gross floor area and gross lettable area of the Property are as follows:

|                     | <b>Retail</b> | <b>Car park</b> |
|---------------------|---------------|-----------------|
| Gross floor area    | 90,113.41 sqm | 10,077.67 sqm   |
| Gross lettable area | 50,360.82 sqm | –               |

(B) Tenancies: According to the Valuation Report, as at 24 May 2021:

- there were 198 tenancies occupying approximately 70.3% of the gross lettable area of the retail area of the Property;
- retail tenancies which will expire during 2021 to 2023 represent approximately 68% of the passing base rental income of the retail area of the Property;
- the monthly passing income of the Property (excluding management fees) was approximately RMB10,605,165 per month with retail income of approximately RMB10,016,235 per month and other income of approximately RMB588,930 per month; and
- the top three retail trades of the Property by leased area were food and beverage, entertainment and lifestyle, and general retail, representing approximately 74.1% of the monthly passing base rental income of the retail area of the Property.

(C) Ownership: The Property is solely held by the Project Company.



- (D) Land use rights: The land use rights in respect of the Property will expire on 11 July 2039.
- If the term of the land use rights in respect of the Property is not extended, the Project Company will have no further land use rights upon expiry. If the term of the land use rights in respect of the Property is extended, land premium or other consideration may be payable by the Project Company for such extension, the amount of which cannot be ascertained at this juncture.
- (E) Property 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 a reputable external manager to provide facility management, car park management and day-to-day property services in managing the shopping mall and the car park.
- (F) Mortgage: The Property is presently mortgaged by the Project Company under and pursuant to the Existing Property Mortgages as security for the repayment of existing bank borrowings. Save for the Existing First Property Mortgage, the other Existing Property Mortgages will be discharged prior to Completion.
- (G) Valuation of the Property: As at the Valuation Date, the Appraised Property Value of the Property was RMB3,350.0 million according to the Valuation Report by the Independent Property Valuer. The Agreed Property Value represents a discount of approximately 4.3% to the Appraised Property Value.

#### **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 in and outside Hong Kong.

## SECTION V. FINANCIAL INFORMATION OF THE GROUP COMPANIES

According to the Seller: (i) the Target Company has not prepared any consolidated financial statements; (ii) the financial statements of the Target Company were prepared in accordance with Hong Kong Financial Reporting Standards; and (iii) the financial statements of the Holding Company and the Project Company were prepared in accordance with PRC Generally Accepted Accounting Principles.

The following figures have been extracted from the audited financial statements of the Group Companies for the year ended 31 December 2020 and unaudited financial statements of the Group Companies for the period from their respective date of incorporation to 31 December 2019, as provided by the Seller. The Property was acquired by the Project Company in January 2020, and accordingly the Group Companies did not have any business activity prior to 2020. Such figures are solely for reference purposes and do not represent the future performance of the Group Companies or the Property:

|                                  | Target Company   |   | Holding Company                                       |  | Project Company                                       |  |
|----------------------------------|--|---|---|--|---|--|
|                                  | Year ended<br>31 December<br>2020<br>(Audited)<br>HK\$ | Period from<br>21 December<br>2018 (date of<br>incorporation)<br>to<br>31 December<br>2019<br>(Unaudited)<br>HK\$ | Year ended<br>31 December<br>2020<br>(Audited)<br>RMB | Period from<br>12 November<br>2019 (date of<br>incorporation)<br>to<br>31 December<br>2019<br>(Unaudited)<br>RMB | Year ended<br>31 December<br>2020<br>(Audited)<br>RMB | Period from<br>15 November<br>2019 (date of<br>incorporation)<br>to<br>31 December<br>2019<br>(Unaudited)<br>RMB |
| (1) Revenue                      | -  | -   | -   | -  | 65,024,947  | -  |
| (2) Net (loss)/profit before tax | (26,916,526)   | -   | (48,739,303)  | -  | (1,903,123)   | 7,737  |
| (3) Net (loss)/profit after tax  | (26,916,526)   | -   | (48,739,303)  | -  | (1,451,719)   | 5,803  |
| (4) Net (liabilities)/assets     | (25,914,265)   | -   | 353,499,992   | -  | (445,916)   | 5,803  |

As extracted from the audited financial statements of the Group Companies provided by the Seller, the aggregate net loss of the Group Companies was mainly due to finance costs incurred under bank borrowings, intercompany balances payable to the related companies of the Seller, and the depreciation charges attributable to the Property according to PRC Generally Accepted Accounting Principles. The aggregate net assets of the Group Companies comprise mainly the Property, bank borrowings, intercompany balances payable to the related companies of the Seller and the Sale Loans. Other than the Property, bank borrowings, intercompany balances payable to the related companies of the Seller and the Sale Loans, the Group Companies are not expected to have any material assets and liabilities immediately following Completion. Finance costs will be reduced following the repayment of certain specified bank borrowings and intercompany balances payable to the related companies of the Seller. Depreciation charges on the Property will be reversed at group consolidation prepared in accordance with Hong Kong Financial Reporting Standards.

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

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The Initial Price of RMB2,098.9 million (equivalent to approximately HK\$2,551.9 million) together with the Expenses (approximately HK\$8.8 million) and the payment of the difference between the Pro-forma Adjusted NAV and the Final Adjusted NAV (if applicable) will be funded from Link's own cash resources and debt facilities with the intention to hedge the majority part of any foreign exchange fluctuations. 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 2020 (as disclosed in the 2020/21 Interim Report).

Upon Completion, based on the consolidated financial position of Link as at 30 September 2020 (as disclosed in the 2020/21 Interim Report), the pro-forma adjusted ratio of debt to total assets of Link is anticipated to change from approximately 19.2% (after adjusting for the impact of the interim distribution distributed to Unitholders on 28 December 2020, that offered a combination of cash and scrip distribution and the Shanghai Acquisition which was completed on 2 April 2021) to approximately 20.4% (assuming a drawdown of HK\$2,560.7 million on Link's debt facilities to finance the Acquisition and including the value of Link's interest in the Group Companies as if the Acquisition took place on 30 September 2020).

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

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The Acquisition is in line with the current investment strategy and objectives of Link to invest in yield-accretive and income-producing real estate which has potential for long-term growth. Upon Completion, Link will hold its interest in the Property as a long-term investment, adding to Link's large and diversified portfolio of retail and commercial real estate. The Manager considers the Acquisition to be in the best interest of the Unitholders for the following reasons:

### **Prime location of the Property**

The Property is a sizeable and high-quality mall located within downtown Zhujiang New Town in Tianhe District of Guangzhou. As of 2020, the Tianhe district had the highest GDP and second highest per capita GDP amongst all districts in Guangzhou. Located in the eastern part of Zhujiang New Town, the submarket is an affluent and densely populated residential neighbourhood, mixed with white collar workers and university students. There is limited competition, given the Property is the only sizable mall in the submarket. The Property is located in proximity to Huangpu Avenue, a key arterial road in Guangzhou, providing convenient vehicular access and plentiful parking spaces. Two metro stations planned along metro line 13 are expected to start operation in 2022/23<sup>(1)</sup> and will enhance the overall accessibility of the area around the Property. Upon the potential redevelopment of the adjacent Guangzhou Racecourse (Machang) site in the medium to long term, the Property could further benefit from the influx of office workers and new residents.

*(1) According to the market study done by Jones Lang LaSalle*

## **Aligning with Link's business strategy of diversification for long-term stable returns**

The PRC Government has adopted strict and effective control measures against the COVID-19 pandemic and an economic rebound has been recorded nationwide. National GDP has registered a positive growth rate of 2.3% in 2020 and 18.3% in Q1 2021 as announced by the National Bureau of Statistics of the PRC. The International Monetary Fund has projected PRC's GDP to grow by 8.4% in 2021 with a three-year average growth rate at 6.4% per annum from 2021 to 2023. As of Q1 2021, Guangzhou demonstrated the fastest economic recovery from COVID-19 among the four Tier 1 Cities in PRC, with a year-on-year GDP growth of 19.5%. Guangzhou, total retail sales of consumer goods also rebounded strongly in Q1 2021, up 31.7% and 11.9% from the same quarter in 2020 and 2019 respectively.

The Acquisition is consistent with the investment policy of Link and the Manager's objective of making yield-accretive acquisitions and growing returns for the Unitholders. The pursuit of a yield accretive strategy through adding quality income-producing properties with capital appreciation potential in Tier 1 cities in PRC and overseas is in addition to that of organic growth through on-going asset enhancement initiatives.

## **Upside potential from proactive asset management**

Construction of the Property was completed in 2012 and it has gone through multiple changes of ownership. The Manager expects to leverage retail asset management expertise already developed in Guangzhou and conduct asset enhancement of the Property, in particular on the vacant area previously occupied by the Grandbuy department store. Following asset enhancement, the Property will benefit from improved overall ambience and more attractive and diversified retail offerings, catering to the affluent middle class. The Manager believes the high-density catchment area is currently underserved. With the Property's passing rent well below the other properly managed malls in the Zhujiang New Town and Tianhe district, the manager expects the Property's improved retail offerings will generate additional footfall and retail demand, which in turn will boost the revenue and income of the Project Company.

The Agreed Property Value was agreed between the Seller and the Buyer after arm's length commercial negotiation and having taken into account the quality of the Property, its strategic location in Guangzhou, and prevailing market conditions. The Agreed Property Value represents a discount of approximately 4.3% to the Appraised Property Value. The Manager does not expect the Acquisition to result in a material change to the overall risk profile of Link.

The Manager believes Link will benefit from the potential for appreciation in the capital value of the Property which will be held as a long-term investment by Link.

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

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The Target Company is a company incorporated under the laws of Hong Kong on 21 December 2018. The Target Company has no business activity other than its ownership of the Holding Company. The Holding Company is a company incorporated under the laws of PRC on 12 November 2019. The Holding Company has no business activity other than its ownership of the Project Company. The Project Company is a company incorporated under the laws of PRC on 15 November 2019. The principal business of the Project Company is to acquire, hold, operate, manage and let the Property.

The current term of operation of the Holding Company is 50 years from 12 November 2019 to 11 November 2069. The Manager's PRC Legal Adviser is of the view that there are no legal impediments to the renewal of the term of operation of the Holding Company since such renewal will primarily involve formality and procedural requirements. The term of operation of the Project Company is of an indefinite duration.

The Manager's PRC Legal Adviser has also confirmed that there are no legal impediments to the remittance of dividends from any retained earnings of the Holding Company out of PRC to the Target Company (as the sole shareholder of the Holding Company), provided that such remittance is made in accordance with the relevant PRC tax, company, foreign investment and foreign exchange laws and regulations.

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

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The Board (including the independent non-executive Directors), taking into account the Manager's duties under the Trust Deed and the REIT Code, is satisfied that: (i) the terms of the Transaction Documents and the respective transactions contemplated thereunder are fair and reasonable and in the interest of the Unitholders as a whole; (ii) the transactions contemplated under the Transaction Documents are consistent with Link's investment policy and in compliance with the REIT Code and the Trust Deed; and (iii) no Unitholders' approval is required under the REIT Code and the Trust Deed for the Buyer to enter into the Transaction Documents and the transactions contemplated thereunder.

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

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The Manager has conducted due diligence on the Group Companies as well as the Property in accordance with the relevant provisions of the REIT Code (including the Practice Note on Overseas Investments by SFC-authorized REITs) 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's PRC Legal Adviser has advised the Manager that the Project Company legally holds the land use rights and ownership rights of the Property and can legally occupy, use, lease and transfer the same (subject only to the Tenancies, the Existing Property Mortgages and the relevant land grant contracts).

Based on advice from the Manager's PRC Legal Adviser, the Manager is of the view that Link (through the Buyer and the Group Companies) will upon Completion, have good marketable legal and beneficial title to the Property.

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

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Based on and in sole reliance on the opinion of the Board, the information in this announcement and the confirmations provided by the Manager, and having taken into account its duties under the REIT Code and the Trust Deed, the Trustee has confirmed that: (i) the transactions contemplated under the Transaction Documents are consistent with Link's investment policy and in compliance with the REIT Code and the Trust Deed; (ii) no Unitholders' approval is required under the REIT Code and the Trust Deed for the Buyer to enter into the Transaction Documents and the transactions contemplated thereunder; and (iii) it has no objection to the transactions contemplated under the Transaction Documents.

## **SECTION XII. REGULATORY IMPLICATIONS**

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This announcement is made pursuant to 10.3 and 10.4(ga) of the REIT Code since the consideration for the Acquisition is more than 1% of the gross asset value of Link. However, the Acquisition does not constitute a discloseable transaction of Link under Chapter 14 of the Listing Rules as all the applicable percentage ratios are less than 5%.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries: (i) each of the Seller, the Guarantor and their respective ultimate beneficial owners is an Independent Third Party; and (ii) each of the counterparties to the Transaction Documents and their respective ultimate beneficial owners is an Independent Third Party. Accordingly, the Acquisition and the respective transactions contemplated under the Transaction Documents do not constitute connected party transactions of Link under the REIT Code.

Under 7.5(c) of the REIT Code, a REIT may hold real estate through SPVs provided that, among other things, the SPVs are established for the sole purpose of holding real estate for the REIT and/or arranging financing for the REIT. Notwithstanding the foregoing, the note to 7.5(c) of the REIT Code provides that SPVs may be used for other purposes incidental to the REIT's investments subject to prior consultation with the SFC.

The Manager has made a submission to the SFC in respect of 7.5(c) of the REIT Code such that, after Completion:

- (i) the Target Company intends to employ not more than 20 individuals (the “**Centralised Function Employees**”) to provide services solely to support the business activities of the Group Companies, such as legal, financial and treasury, human resources and administration, and supervisory functions (the “**Centralised Functions**”); and
- (ii) the Project Company intends to employ or continue the employment of not more than 150 individuals (the “**Core Function Employees**”) to undertake certain functions which are required under PRC law to be undertaken by the Project Company (the “**Core Functions**”), including:
  - (a) 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, and obtaining and liaising with government authorities to maintain the operational licences of the Project Company); and
  - (b) certain commercial functions (for example, supervising, monitoring, or performing:
    - (i) various facility and property management and asset management services (such as repairs and maintenance, cleaning, security, and car park operations) to the Project Company; and
    - (ii) office administrative services, leasing and tenant services in respect of the Property and liaison with banks such as handling bank accounts of the Project Company and remitting dividends to the shareholder of the Project Company.

The duties of the Centralised Function Employees and the Core Function Employees will be limited to the Centralised Functions and the Core Functions respectively.

The above employment arrangements of the Centralised Function Employees to perform the Centralised Functions will be in the interest of Link for the following reasons:

- (i) Subject to approval by the relevant tax authorities, the employment of the Centralised Function Employees will enable the Target Company 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 Holding Company, 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 Centralised 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 Target Company 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 Target Company will support the functions of the Project Company and will be for the sole benefit of the Project Company. Following Completion, the Group Companies will not engage in any other businesses or activities unrelated to their investment in the Property.

The above employment arrangements of the Core Function Employees to perform the Core Functions will be in the interest of Link for the following reasons:

- (i) There is a legal and practical necessity for the Project Company 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 Project Company with third parties whereby the Project Company is required to become a direct contracting party.
- (ii) It is not expected that such employment arrangements will 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 Project Company will not relieve the Project Company 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 Project Company 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 Project Company 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 Project Company will still have staff with knowledge and expertise continuity to perform the Core Functions. This minimises the disruption to the day-to-day operations of the Property and the Project Company.

For the reasons stated above, it is not expected that such employment arrangements will result in any significant liability or loss to Link.



## SECTION XIII. GENERAL

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- **About the Buyer and Link**

The Buyer is a company incorporated in Hong Kong and an indirectly wholly-owned SPV of Link. The Buyer currently has no other business activity and will be used solely to hold Link's interest in the Group Companies 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 park spaces in Hong Kong, PRC, Australia and the United Kingdom.

- **About the Seller and the Guarantor**

The Seller, PD20 Investment Holding Limited, is a company incorporated under the laws of the British Virgin Islands. Its principal business is investment holding and ultimate beneficial owners are the fund(s) and/or other investment vehicle(s) managed by Warburg Pincus (holding approximately 55% ultimate shareholding interest), and two founders of Hande Group (namely, LIU Xu and WANG Haibao, collectively holding approximately 45% ultimate shareholding interest).

The Guarantor, P&D Holding Limited, is a company incorporated under the laws of the Cayman Islands. Its principal business is investment holding and ultimate beneficial owners are the fund(s) and/or other investment vehicle(s) managed by Warburg Pincus (holding approximately 55% ultimate shareholding interest), and two founders of Hande Group (namely, LIU Xu and WANG Haibao, collectively holding approximately 45% ultimate shareholding interest).

The Seller is an indirect wholly-owned subsidiary of the Guarantor.

- **Further announcements**

There are Completion Conditions in the Sale and Purchase Agreement. **Completion of the Acquisition is subject to the satisfaction or waiver of such Completion Conditions, and may or may not take place. Unitholders and potential investors of Link are advised to exercise caution when dealing in the Units.**

The Manager will make further announcements upon Completion, or alternatively, if Completion does not take place due to the non-satisfaction of the Completion Conditions. The Manager will also announce any Adjustment Payment made by the Buyer or the Seller.

## SECTION XIV. DEFINITIONS

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In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

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| <b><i>2020/21 Interim Report</i></b>         | the Interim Report of Link for the six months ended 30 September 2020.  |
| <b><i>Acquisition</i></b>                    | the acquisition of the Sale Shares and the Sale Loans by the Buyer from the Seller pursuant to the terms of the Sale and Purchase Agreement.            |
| <b><i>Adjusted NAV</i></b>                   | the adjusted consolidated NAV of the Group Companies as at the close of business on the Completion Date.  |
| <b><i>Adjustment Payment</i></b>             | has the meaning given to this term in “SECTION II – KEY TERMS OF THE SALE AND PURCHASE AGREEMENT” above.  |
| <b><i>Agreed Property Value</i></b>          | RMB3,204.7 million, being the free-from-encumbrances value attributed to the Property, as agreed between the Seller and the Buyer for the Acquisition.  |
| <b><i>Appraised Property Value</i></b>       | RMB3,350.0 million, being the appraised value of the Property as at the Valuation Date according to the Valuation Report.                               |
| <b><i>Board</i></b>                          | the board of Directors of the Manager.  |
| <b><i>Buyer</i></b>                          | Dominant Global Investments Limited, a company incorporated under the laws of the British Virgin Islands, being an indirectly wholly-owned SPV of Link. |
| <b><i>Centralised Function Employees</i></b> | has the meaning given to this term in “SECTION XII – REGULATORY IMPLICATIONS” above.  |
| <b><i>Centralised Functions</i></b>          | has the meaning given to this term in “SECTION XII – REGULATORY IMPLICATIONS” above.  |
| <b><i>Completion</i></b>                     | the completion of the Acquisition in accordance with the Sale and Purchase Agreement.   |
| <b><i>Completion Conditions</i></b>          | has the meaning given to this term in “SECTION II – KEY TERMS OF THE SALE AND PURCHASE AGREEMENT” above.  |
| <b><i>Completion Date</i></b>                | the date on which Completion takes place.   |
| <b><i>Completion Statement</i></b>           | has the meaning given to this term in “SECTION II – KEY TERMS OF THE SALE AND PURCHASE AGREEMENT” above.  |
| <b><i>Core Function Employees</i></b>        | has the meaning given to this term in “SECTION XII – REGULATORY IMPLICATIONS” above.  |
| <b><i>Core Functions</i></b>                 | has the meaning given to this term in “SECTION XII – REGULATORY IMPLICATIONS” above.  |

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| <b><i>Deposit</i></b>                          | has the meaning given to this term in “SECTION II – KEY TERMS OF THE SALE AND PURCHASE AGREEMENT” above.  |
| <b><i>Director(s)</i></b>                      | the director(s) of the Manager.   |
| <b><i>Escrow Agent</i></b>                     | China Construction Bank (Asia) Corporation Limited and (to the best knowledge, information and belief of the Manager, having made all reasonable enquiries) an Independent Third Party.   |
| <b><i>Escrow Agreement(s)</i></b>              | the escrow agreement(s) entered and/or to be entered into by the Seller, the Buyer and the Escrow Agent on or around the date of the Sale and Purchase Agreement.   |
| <b><i>Escrowed Amount</i></b>                  | has the meaning given to this term in “SECTION II – KEY TERMS OF THE SALE AND PURCHASE AGREEMENT” above.  |
| <b><i>Existing First Property Mortgage</i></b> | the existing first ranking mortgage over the Property.  |
| <b><i>Existing Property Mortgages</i></b>      | the existing mortgages over the Property.   |
| <b><i>Expenses</i></b>                         | expenses in an aggregate amount of approximately HK\$8.8 million payable by the Buyer in respect of professional services fees, estate agency fees and stamp duty fee in connection with the Acquisition.   |
| <b><i>Final Adjusted NAV</i></b>               | has the meaning given to this term in “SECTION II – KEY TERMS OF THE SALE AND PURCHASE AGREEMENT” above.  |
| <b><i>Group Companies</i></b>                  | the Target Company, the Holding Company and the Project Company.  |
| <b><i>Guarantor</i></b>                        | P&D Holding Limited, a company incorporated under the laws of the Cayman Islands and (to the best knowledge, information and belief of the Manager, having made all reasonable enquiries) an Independent Third Party.   |
| <b><i>HK\$</i></b>                             | Hong Kong dollars, the lawful currency of Hong Kong.  |
| <b><i>Holding Company</i></b>                  | 廣州弦夢管理諮詢有限公司, a company incorporated under the laws of PRC.   |
| <b><i>Hong Kong</i></b>                        | the Hong Kong Special Administrative Region of PRC.   |
| <b><i>Independent Property Valuer</i></b>      | Colliers International (Hong Kong) 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. |

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| <b><i>Independent Third Party</i></b>     | a third party who is independent of Link and its connected persons (as defined in the REIT Code).   |
| <b><i>Initial Price</i></b>               | has the meaning given to this term in “SECTION II – KEY TERMS OF THE SALE AND PURCHASE AGREEMENT” above.  |
| <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 SPVs. |
| <b><i>Listing Rules</i></b>               | the Rules Governing the Listing of Securities on the Stock Exchange (modified as appropriate pursuant to 2.26 of the REIT Code).  |
| <b><i>Manager</i></b>                     | Link Asset Management Limited, a company incorporated under the laws of Hong Kong, in its capacity as the manager of Link.  |
| <b><i>Manager’s PRC Legal Adviser</i></b> | Zhong Lun Law Firm, which is the PRC legal adviser appointed by the Manager for the Acquisition.  |
| <b><i>NAV</i></b>                         | net asset value.  |
| <b><i>Parties</i></b>                     | the parties to the Sale and Purchase Agreement.   |
| <b><i>PRC</i></b>                         | the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of PRC and Taiwan.  |
| <b><i>Project Company</i></b>             | 廣州陸鹿物業管理有限公司, a company incorporated under the laws of PRC.   |
| <b><i>Property</i></b>                    | the property known as 太陽新天地購物中心 (Happy Valley Shopping Mall*) located at No. 36 Machang Road, Tianhe District, Guangzhou, PRC, as further described in Section I.   |
| <b><i>Pro-forma Adjusted NAV</i></b>      | has the meaning given to this term in “SECTION II – KEY TERMS OF THE SALE AND PURCHASE AGREEMENT” above.  |
| <b><i>REIT</i></b>                        | real estate investment trust.   |
| <b><i>REIT Code</i></b>                   | the Code on Real Estate Investment Trusts published, and as may be amended, supplemented or otherwise modified from time to time, by the SFC.   |
| <b><i>Repayment Amount</i></b>            | has the meaning given to this term in “SECTION II – KEY TERMS OF THE SALE AND PURCHASE AGREEMENT” above.  |

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| <b><i>Retention Amount</i></b>            | has the meaning given to this term in “SECTION II – KEY TERMS OF THE SALE AND PURCHASE AGREEMENT” above.  |
| <b><i>RMB</i></b>                         | Renminbi, the lawful currency of PRC.   |
| <b><i>Sale and Purchase Agreement</i></b> | the sale and purchase agreement dated 4 June 2021 entered into by the Seller, the Guarantor and the Buyer in respect of the Acquisition.  |
| <b><i>Sale Loans</i></b>                  | all loans and other amounts (whether principal, interest or otherwise) owing by the Target Company to the Seller as at Completion.  |
| <b><i>Sale Shares</i></b>                 | all the issued shares of the Target Company.  |
| <b><i>Seller</i></b>                      | PD20 Investment Holding Limited, a company incorporated under the laws of the British Virgin Islands and (to the best knowledge, information and belief of the Manager, having made all reasonable enquiries) an Independent Third Party. |
| <b><i>Seller’s PRC Tax</i></b>            | all PRC taxes arising from or in connection with and/or payable as a result of or in connection with the transfer of the Sale Shares and the Sale Loans from the Seller to the Buyer as contemplated in the Sale and Purchase Agreement.  |
| <b><i>SFC</i></b>                         | the Securities and Futures Commission of Hong Kong.   |
| <b><i>Shanghai Acquisition</i></b>        | the acquisition of a 50% interest in the property in Shanghai, PRC, known as 七寶萬科廣場 (Qibao Vanke Plaza), the details of which are set out in Link’s announcement dated 24 February 2021.  |
| <b><i>SPV(s)</i></b>                      | special purpose vehicle(s) of Link.   |
| <b><i>sqm</i></b>                         | square metre.   |
| <b><i>Stock Exchange</i></b>              | The Stock Exchange of Hong Kong Limited.  |
| <b><i>Target Company</i></b>              | HK PD20 Holding Limited, a company incorporated under the laws of Hong Kong.  |
| <b><i>Tenancies</i></b>                   | all subsisting leases, tenancy agreements, licence agreements and other rights to occupy or use to which the Property (or any part thereof) is subject.   |
| <b><i>Transaction Documents</i></b>       | means, among others, the Sale and Purchase Agreement and the Escrow Agreement(s).   |
| <b><i>Trust Deed</i></b>                  | the first amending and restating deed dated 8 February 2021 modifying the trust deed dated 6 September 2005 between the Trustee and the Manager constituting Link (as amended and supplemented by fourteen supplemental deeds).           |

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| <b>Trustee</b>          | HSBC Institutional Trust Services (Asia) Limited, in its capacity as the trustee of Link.                                     |
| <b>Unit(s)</b>          | unit(s) of Link.  |
| <b>Unitholder(s)</b>    | holder(s) of Unit(s).   |
| <b>Valuation Date</b>   | 24 May 2021.  |
| <b>Valuation Report</b> | the valuation report on the Property dated 24 May 2021 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\$1.21582) quoted as at two business days before the date of this announcement.

\* *for identification purposes only*

By order of the Board  
**Link Asset Management Limited**  
**(as manager of Link Real Estate Investment Trust)**  
**Kenneth Tai Lun WONG**  
*Company Secretary*

Hong Kong, 4 June 2021

*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*)

NG Kok Siong (*Chief Financial Officer*)

*Non-Executive Director*

Ian Keith GRIFFITHS

*Independent Non-Executive Directors*

Christopher John BROOKE

Ed CHAN Yiu Cheong

Lincoln LEONG Kwok Kuen

Blair Chilton PICKERELL

Poh Lee TAN

May Siew Boi TAN

Peter TSE Pak Wing

Nancy TSE Sau Ling

Elaine Carole YOUNG