1 At the REIT Level

Gross Revenue increased 5.8% to $2,179 mil
Office demand in Central (Citibank Plaza) was weak in 2013, though higher levels of activity in 2014
Demand for Langham Place Office remains solid
Average Rental Rates at Langham Place Mall increased 25.6%

A Citibank Plaza
Revenue -0.3% to $1,202 mil
Passing Rent down marginally
Occupancy stable
Acquired 4 Floors in Jul 13, now complete control of property

B Langham Place Office
Revenue +9.5% to $289 mil
Higher Passing Rent
Almost fully occupied

C Langham Place Mall
Revenue +16.8% to $688 mil
Higher Passing and Turnover Rent
Mall remained fully occupied
**Net Property Income**

**At the REIT Level**

Operating Expenses +9.7% to $431 mil
- Building Mgt Expenses increased by $25.7mil,
  higher wage costs across all properties in line with the market
- Repairs and Maintenance increased by $8.3 mil,
  from renovation of newly acquired Citibank Plaza floors
- Leasing Commissions increased by $7.9mil,
  larger amount of space rolling over at Langham Place

Net Property Income +4.9% to $1748 mil

**Citibank Plaza**

NPI -1.1% to $990m
- Expenses +$6.5m(3.2%) to $212m
  - Building Mgt Expenses up $11.1m
  - Repairs and Maintenance up $7.1m
  - Promotion Expenses down $5.5m

**Langham Place Office**

NPI +7.6% to $232 m
- Expenses +$8.7m(17.9%) to $57 m
  - Building Mgt Expenses up $3.6m
  - Rental Commissions up $3.3m

**Langham Place Mall**

NPI +16.9% to $526 mil
- Expenses +$23.0m(16.5%) to $162m
  - Building Mgt Expenses up $10.9m
  - Rental Commissions up $6.8 m
**Interest and Taxes**

1. **Interest**
   
   Cash Interest Expenses increased $108 mil, from $143 mil to $251 mil
   
   - low coupon convertible bond was rolled over into a 10 year Medium Term Note
   - new $1.9bn bank loan to fund acquisition of 4 Citibank Plaza floors
   
   In 2014, Interest Expenses expected to rise with the refinancing of $7bn Citibank Plaza loan

2. **Taxes**
   
   Cash Tax decreased $61 mil, from $175 mil to $114 mil
   
   - CB interest costs from past 5 years became tax deductible for Langham Place when the CB was retired
   
   Effective tax rate expected to return to ‘normal’ by 2H 2014.
**Distributions**

**approximate free cashflow**

1. **Distributable Income**
   - +$17.5 m (1.4%) to $1,271 mil
   - +$143m
     - NPI increased $82m
     - Tax decreased $61m
   - -$128m
     - Cash Finance Costs increased $108m
     - Manager’s Fees in units down from 60% to 50%
     - -$20m impact

**Distribution Amount**

- 2010: $1.084
- 2011: $1.067
- 2012: $1.111
- 2013: $1.254

**Distribution per Unit**

- 2010: $0.2102
- 2011: $0.2162
- 2012: $0.2241
- 2013: $0.2089

**the actual amount paid out**

2. **Distributions**
   - Distribution Amount +1.3% to $1,201 mil
   - Payout ratio is 94.5% (2012: 94.6%)
   - Distribution Per Unit +0.6% to HK$0.2102
   - Based on unit price of $3.37, equivalent to a yield of 6.24%
Capitalization Rates left unchanged in 2013: Citibank Plaza at 3.3%, Langham Place at 4.0%
**Assessed Valuation**

Property Value as of Dec 2013 increased $3.2 billion to $61.5 billion

- **Citibank Plaza**
  increased 4.0%, from the addition of 4 acquired floors.

- **Langham Place Office Tower**
  increased 2.7% from slightly higher rent rate assumptions

- **Langham Place Mall**
  increased 11.3% from higher rent rate assumptions

**Net Asset Value per Unit**

NAV per unit increased 1.8% to $7.94 per unit from 2012

At unit price @$3.37 the discount to NAV is 58%

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**Langham Place Office**

$10,501 per sq. ft. GFA

Implied Rent is $35.00 per sq. ft.

(Dec 2012: $34.07)

**Langham Place Mall**

$26,656 per sq. ft. GFA

Implied Rent is $164.32 per sq. ft.

(Dec 2012: $145.75)

**Citibank Plaza**

$23,312 per sq. ft. GFA

Implied Rent is $82.67 per sq. ft.

(Dec 2012 $83.35)

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* Valuation by Savills Valuation and Professional Services

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**Total Portfolio Value**

$61.5bn*

- **Citibank Plaza**
  $37,900m
  62%

- **Langham Place Office**
  $7,381m
  12%

- **Langham Retail**
  $16,228m
  26%
1 Total Borrowings

2013 Total Borrowings increased from HK$12.2bn to HK$14.7bn:

  +$585 mil because of the redemption premium of CBs that matured
  +$1,900 mil from the acquisition of 4 floors at Citibank Plaza

Langham Place Mall is presently unpledged

2 Debt Ratios

Interest cover remains comfortable at 7x

Debt to Equity ratio remains low at 32.4%

Debt to Assets (Gearing) ratio is also low at 23.4%, well within REIT Code maximum of 45%

*Interest cover is calculated using NPI as the numerator. Where annualization is required, 2x the relevant 1H 13 figure is used.*
1. **Total Blended Borrowings**

   Average interest rate at 1.99% (@Hibor = 0.38%)
   Over 2013, average maturity increased from 1.07 to 3.11 years
   HK$7 billion syndicated bank loan due in May

2. **Refinancing in 2014**

   All Citibank Plaza loans due in 2014/15 to be refinanced into new 3 and 5 year bank loans.
   Positive response from banks: Interest spread for new banks loans at around Hibor + 120-140bp
   Overall average floating interest spread will edge up marginally

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**Debt Maturity**

- Hockey units: Bank Loans
- Orange units: MTN

- **2014**
  - $7,000
  - 79% Secured / Floating

- **2015**
  - $500
  - 21% Unsecured / Fixed

- **2016-2023**
  - $300mil undrawn revolving facility
  - $3.1bn with fixed coupon of 3.75%

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**Post Refinancing**

- Hockey units: Bank Loans
- Orange units: MTN
- Gray units: Pending

- **2014-2023**
  - $3,104
  - $300mil undrawn revolving facility
  - $3.1bn with fixed coupon of 3.75%
Central Grade ‘A’ Office Supply

1. Virtually No Supply
   - Historical average supply about 500,000 sq. ft. p.a.
   - Virtually 0 Grade A supply in Central; no new land supply
   - In longer term, 2 possible sites: 300,000(net) sq. ft. where GPO is and 180,000(net) sq. ft. opposite Government HQ

2. Buildings in the Pipe Line
   - 40,000 sq. ft. from the Forum in 2014 - already pre-leased to Standard Chartered
   - 95,000 sq. ft. from Shanghai Commercial Bank redevelopment in 2015 – owner occupied

HONG KONG CENTRAL
GRADE A OFFICE SUPPLY
(1986 - 2016)

NET FLOOR AREA (million sq ft)

20 year Average
430,000 sq. ft.
1 Rents Rates
Overall outlook for G3 is positive this year
Winding down of US liquidity boosting measures may dampen positive sentiment
Citibank Plaza remains priced competitively with face rents at $80-85 per sq. ft.
Passing rent has been maintained at between $84-$86 since June 2010.

2 Occupancy
Occupancy in terms of absolute floor area was maintained in 2013 under challenging environment.
Occupancy based on pre-acquisition* total floor area is 89.2%, vs 89.1% a year ago.
Occupancy based on post-acquisition* total floor area is 85.3%.

* acquisition of 4 vacant floors in July

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Passing Office Rents at Citibank Plaza

- Dec-08: 87.46
- Jun-09: 90.70
- Dec-09: 90.11
- Jun-10: 84.81
- Dec-10: 84.67
- Jun-11: 84.33
- Dec-11: 85.15
- Jun-12: 86.10
- Dec-12: 85.12
- Jun-13: 88.26
- Dec-13: 84.60

Occupancy at Citibank Plaza

- Total: 97.1% 94% 87.2% 83.5% 81.5% 88.6% 90.4% 88.7% 89.1% 88.4% 85.3%
- Using Pre-acquisition Floor Area: 89.2%
1 Tenant Mix

Banking decreased* by 3% after departure of HSBC last year

Space occupied by Legal and Others increased* to offset the reduction in Banking

New tenants moving in soon include: Compass Offices, Kontiki Capital, Donglin, EMFI, Hammer Capital

2 Lease Maturities

Of the 37.8% of floor area expiring in 2014, renewals have been secured for 17.5% - including ICBC for 6 years

New tenants for 2014 have been secured for 3.9% of floor area but have yet to move in

Citibank rent review completed

BoAML will be vacating in 4Q

* change in % ignore the dilution effect of 4 vacant floors added
HKSAR-wide Grade ‘A’ Office Supply

### A 2014 Supply
- 850k sq. ft. - 3 projects in Kowloon E
- 350k sq. ft. - 2 projects in Island S
- 180k sq. ft. - project in Kowloon W

### B 2015 Supply
- 2.5m sq. ft. - 5 projects in Kowloon E
- 250k sq. ft. - Octagon in Tsuen Wan
- 120k sq. ft. - Observatory Rd in TST

### C 2016 Supply
- 350k sq. ft. - 2 projects in Shatin
- 240k sq. ft. - project in Kowloon E
- 240k sq. ft. - project in Island E

### D Undergoing Demolition
- 600k sq. ft. - Somerset House in Island E
- 180k sq. ft. - Sunning Plaza in CWB
- 240k sq. ft. - Asia House in CWB

**HONG KONG SAR**

GRADE A OFFICE SUPPLY
(1986 - 2016)

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Last 20 years Annual Supply
2,200,000 sq. ft.
Face rents improved to $38.45 per sq. ft.
Passing rent improved by $4.50 to $32.86 per sq. ft.

High occupancy levels were maintained even with over 50% of the building expiring in 2013
Resilience of the non-financial sectors still underpinning demand
Merchandizing & Trading decreased by 2% to 41%
Lifestyle increased by 3% to 27%
Newest Tenants include Compass Office and Perfect Shape, as well as a 2 floor expansion by Neo Derm

Of the 33% of floor area expiring in 2014, renewals have been secured for 8%. New tenants for 2014 have been secured for 11% of floor area

There should continue to be positive rental reversion as market rents are significantly above expiring rents
the Langham Place Mall 2013 Scrap Book
1. **Tenant Mix**

Health and Beauty increased from 6% to 10% after the change from Seibu to Beauty Avenue, with a corresponding reduction in Fashion. There are now over 80 cosmetic brands at the Mall.

Other recent additions to the mall include Coach, V. Westwood, CK Jeans, CK Watch, Cath Kidston and Accessorize.

2. **Tenant Sales**

Increasing number of middle-class short-haul shoppers from Southern China looking for cosmetics and mid-priced fashion and accessories.

11.8% growth in Tenant Sales - less affected by slowdown in the HK luxury sector.
1 **Passing Rent**

Lease rollovers on 1/3 of the floor pushed passing (base) rents up 25.6% from $114.89 to $144.26 per sq. ft.

2 **Turnover Rent**

Growth in turnover rents slowed due to strong spike in base rents and one month closure of Seibu/Beauty Avenue. They increased 4.2%, from $23.66 a year ago to $25.87 per sq. ft.

Composite Market Rent can be approximated as $144.26 + $25.87 = $170.13 per sq. ft.
1. **Lease Maturities**

A further 36% of the space in the Mall will be rolling over in 2014.

This includes the cinema (14% by area) which will be fetching a much higher rent.

2. **Occupancy**

Full occupancy easily maintained.

With heavy foot traffic and proven track record, there are ample retailers competing for limited spaces at the mall.
Conclusion

1 **Citibank Plaza**
   
   There remains a large amount of space to be let and rental rates will be under pressure this year.
   
   For 2014, impact from BoAML’s departure will be limited to 4Q.
   
   Focus will be on rebuilding occupancy with competitive pricing.

2 **Langham Place**
   
   Office Rents are firm, there should be positive rental reversion as 33% of the building undergoes rollover.
   
   Retail Rental Income should continue to increase as full impact of 2H 2013 leases is felt and a further 36% of the leases in the Mall by floor area building will be rolled over.

3 **the REIT**
   
   At the operational level, the strong performance of Langham Place should be able to offset any potential weakness at Citibank Plaza in 2014.
   
   Distributions however will be affected by higher Interest costs from $7 billion loan refinancing and a higher effective tax rate at Langham Place.
the END
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