Acquisition of Corporate Avenue 1 & 2 in Shanghai

July 2015
# Property Particulars
## Corporate Avenue 1 & 2, Xintiandi

<table>
<thead>
<tr>
<th>Property</th>
<th>Corporate Avenue 1 &amp; 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Address</strong></td>
<td>No. 202 and 222 Hu Bin Road and No.333 South Huang Pi Road, Huangpu District</td>
</tr>
<tr>
<td><strong>Building Completion</strong></td>
<td>End-2003</td>
</tr>
</tbody>
</table>
| **No. of Floors** | Block One: 21 floors (office: 19, retail: 2)  
                      Block Two: 10 floors (office: 8, retail: 2)  
                      Retail Pavilion: 2 floors (retail)  
                      Basement: 2 levels |
| **Gross Floor Area** | Total: 98,080 sqm  
                           • Office: 75,780 sqm  
                           • Retail: 7,375 sqm  
                           • Others: 14,925 sqm (basement) |
| **Car Park**       | c. 226 car park spaces |
| **Agreed Property Value** | RMB 6,600.86 million |
| **Completion of Acquisition** | 24 August 2015  
                               (extendable to 31 August 2015) |
Acquisition of Corporate Avenue 1 & 2
Financial Impact

Valuation

<table>
<thead>
<tr>
<th>Agreed Property Value</th>
<th>RMB 6,600.86 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation by CBRE (Link’s Principal Valuer)</td>
<td>RMB psm</td>
</tr>
<tr>
<td>Office</td>
<td>73,502</td>
</tr>
<tr>
<td>Retail</td>
<td>117,967</td>
</tr>
<tr>
<td>Car park</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Valuation by Knight Frank (vendor’s valuer)</td>
<td>-</td>
</tr>
</tbody>
</table>

Financing
- To be funded by own cash resources and/or debt facilities

Rental income
- Monthly rental income approx. RMB24.6 million (1)
  (excl. management fees, car park and other income)

Impact on gearing
- Debt to total assets as at 31 March 2015 11.9%
- Pro-forma adjusted ratio of debt to total assets as at 31 March 2015 18.7% (2)

Notes:
(1) According to valuation report dated 22 July 2015 by CBRE based on 30 June 2015 tenancy schedule provided by the vendor.
(2) After adjusting for the impact of final distribution paid on 7 July 2015 and the completion of EC Mall acquisition on 1 April 2015.
Acquisition of Corporate Avenue 1 & 2
Investment Rationale

Prestigious location
- Located in the well-established Huaihai Middle Road CBD in Huangpu District
- A renowned and affluent commercial and residential area with strong foot traffic
- Close proximity to four Metro stations (along Metro lines 1, 8 and 10) and extensive facilities

Premium Grade A office with established track record
- Top class specifications and efficient design
- Preferred choice for prestigious companies — top 10 office tenants are MNCs in professional services, multimedia, banks, and industrial goods sectors
- High occupancy (currently 100% for retail, 98.3% for office) with good historical retention rates\(^{(1)}\)

Continuous strong demand for Shanghai office space
- Continued government support to position Shanghai as China’s financial and trading centre
- Tertiary/service industries expected to grow and drive demand for premium office space

Attractive supply demand dynamics in core CBDs
- New supply in core CBD to level off by 2017
- Rising demand from domestic companies which still have relatively low presence in core CBD compared to other major cities

Note: (1) Based on information from vendor.
Huaihai M. Rd CBD, Huangpu District
• Mainly non-financial sector
• Headquarters for domestic giants and MNCs in professional services, retailing, media and pharmaceutical industries

Lujiazui CBD, Pudong
• Financial capital of China
• Headquarters of major domestic and international banks, insurance companies, brokerages and other financial institutions

Nanjing West Rd CBD, Jing’an District
• Mainly non-financial sector
• Another hub for domestic companies and MNCs in the tertiary sector

Unlike core CBDs which have no readily developable land in the foreseeable future, other CBDs (such as Hongqiao, Xuhui and Zhuyuan) face higher risk of oversupply
Xintiandi Area
Bustling Commercial Hub with Extensive Facilities

Xintiandi — served by 4 Metro stations and shopping, entertainment, hotel, residential and leisure facilities within a 1-km radius — provides one of the most attractive office locations

Note: Computer rendering for illustration purpose only
Premium Grade A Specifications
Classic Design

Timeless Art Deco design

Impressive grand entrance lobby
### Premium Grade A Specifications

#### Top Class Features

<table>
<thead>
<tr>
<th>Premium Grade A Standard</th>
<th>Corporate Avenue 1 &amp; 2</th>
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</thead>
<tbody>
<tr>
<td><strong>Location</strong></td>
<td>Core CBD</td>
</tr>
<tr>
<td></td>
<td>✓ Huaihai M. Rd CBD</td>
</tr>
<tr>
<td><strong>Accessibility</strong></td>
<td>&lt;1 km to Metro</td>
</tr>
<tr>
<td></td>
<td>✓ 0.6 km to Xintiandi Station</td>
</tr>
<tr>
<td><strong>Typical floor plate</strong></td>
<td>≥1,700 sqm</td>
</tr>
<tr>
<td></td>
<td>✓ Tower 1: 2,200-3,000 sqm Tower 2: 1,900 sqm</td>
</tr>
<tr>
<td><strong>Ceiling height (clear ceiling)</strong></td>
<td>≥2.7 m</td>
</tr>
<tr>
<td><strong>Lobby height</strong></td>
<td>8-10 m</td>
</tr>
<tr>
<td></td>
<td>✓ 12 m</td>
</tr>
<tr>
<td><strong>Raised floor</strong></td>
<td>100-150 mm</td>
</tr>
<tr>
<td></td>
<td>✓ 200 mm</td>
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**Corporate Avenue 1 & 2 have excellent hardware which ensures its preferred status in the competitive Shanghai office market**

*Source: JLL Research*
Prestigious Tenants
Most Office Tenants are Brand-name MNCs

Office tenant mix (by rental income) (1)

- Professional Services: 16.6%
- Pharmacy: 8.5%
- Industrial Goods and Services: 12.9%
- TMT: 12.7%
- Retailers & Consumer Products: 17.2%
- Others: 32.1%

Top 5 office tenants (by rental income) (1)

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>PwC</td>
<td>16.0%</td>
</tr>
<tr>
<td>Eli Lilly</td>
<td>9.8%</td>
</tr>
<tr>
<td>Walt Disney</td>
<td>8.3%</td>
</tr>
<tr>
<td>Sony</td>
<td>6.9%</td>
</tr>
<tr>
<td>Pernod Ricard</td>
<td>6.5%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>47.5%</strong></td>
</tr>
</tbody>
</table>

Notes:
(1) Based on information from vendor as at 30 June 2015.
(2) “Others” include real estate, construction, energy and logistics.
Prestigious Tenants
Much of the Retail Space are Currently Used as Showrooms
Effective leasing strategy

- Tenant mix:
  Ensure diverse mix of tenants
  Gradually add domestic companies seeking to expand

- Competition:
  Nearby existing offices are close to full occupancy
  Nearby new offices are already mostly pre-leased
  Thus low risk of Corporate Avenue losing major tenants

- Lease expiration profile:
  Ensure smooth lease expiration

Office expiry profile (by area)\(^{(1)}\)

![Chart showing office expiry profile by area]

Notes:
(1) Based on information from vendor as at 30 June 2015.
(2) Conceptual designs for reference only.
Shanghai Office Market
Limited Office Supply in Core CBDs

Note: (1) Premium Grade A offices; the above completion dates are estimates
Source: JLL Research

Other than 3 projects launching in 2015 and 2016 (approx. 250K sqm in total), Corporate Avenue 1 & 2 have limited competition thereafter due to limited supply.

Stock of premium Grade A offices:
- By end 2014: 26 buildings (total 2.01M sqm)
- By end 2019: 34 buildings (total 2.97M sqm)
According to market consultant, there will be no new supply of premium Grade A office in 2018/19.
Expanded Business Model
Adding Building Blocks for Long-term Growth

**Improve asset quality**

+ **DPU growth**

- **PROPERTY RE-DEVELOPMENT**
- **PROPERTY DEVELOPMENT**
- **ASSET DISPOSAL**
- **ASSET MANAGEMENT**
- **ASSET ENHANCEMENT**
- **ASSET ACQUISITION**
Multiple Business Segments
Core Market in Hong Kong and Additional Investments in PRC

Multiple business segments to create more value

- Retail
  - Focus on mid market

- Fresh market
  - Continual enhancement

- Car park
  - Improve efficiency

- Office
  - Only premium Grade A buildings

Pro-forma portfolio mix (by value)

- Hong Kong retail: 71.8%
- Hong Kong office: 16.8%
- Hong Kong car park: 3.9%
- China retail: 4.7%
- China office: 2.8%

Notes:
(1) China assets are valued in RMB and converted to HK$ at RMB1 = HK$1.248
(2) Value of retail portfolio in China includes the value of retail and car park facilities of EC Mall and retail facilities of Corporate Avenue
(3) Value of office portfolio in China includes the value of office and car park facilities of Corporate Avenue
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