



Hui Xian Asset Management Limited
(as manager of Hui Xian REIT)
DB Trustees (Hong Kong) Limited
(as trustee of Hui Xian REIT)
CITIC Securities Corporate Finance (HK) Limited
The Hongkong and Shanghai Banking Corporation Limited
BOCI Asia Limited

11 April 2011

Dear Sirs,

**Due Diligence Survey on Oriental Plaza
Building Consultancy Review Summary**

1. Introduction

Savills Project Consultancy Ltd was appointed as the Property Consultant to carry out a comprehensive building condition survey on Oriental Plaza situated at No.1 East Chang An Avenue, the heart of Beijing District. (hereinafter called the Development) :-

This letter summarises the approach of our comprehensive building condition survey conducted from 8 October 2010 to 12 October 2010 and the findings of review. However, this letter only covers the major points of the report. More detailed and relevant information is contained in the comprehensive condition survey report of the Development. Thus, this letter should be used in connection with the comprehensive condition survey report.

2. Surveys and Evaluations Conducted

The comprehensive building condition survey on Oriental Plaza focused on the following areas:

- (a) visual inspection of the Development to confirm its structural integrity;
- (b) visual inspection of the current building layout and usage against the latest general building plans approved by the government to identify any additional structure;
- (c) review of current building layout to identify any existing or potential hazards and deviations in respect of the fire safety requirements and usage;
- (d) visual inspection of all building elements in accessible common areas of the Development, including all building facade, units, external walls, roofs, corridors, lobbies, lavatories, electrical and mechanical plant rooms and etc. to identify any apparent major building defects;
- (e) visual inspection of all major building services installations, including mechanical ventilation air-conditioning, fire services, electricity, lifts, escalators, plumbing, above ground drainage and grey water recycle systems to identify any apparent major defects;
- (f) check and review of current building layouts to identify any contravention of Planning Permit or other statutory or regulatory requirements;
- (g) check and review of current building layout to identify any environmental, pollution, health and safety hazard or other risks; and
- (h) check and review the existing building layout to identify any encroachment on Government Land or properties of others.

After completion of the visual inspection and review of the Development, we have:

- (a) compiled a list of minor visible defects of building elements and major building services installations, together with the proposed remedial works; and
- (b) compiled a ten-year Forecast of Maintenance and Capital Expenditure.

The comprehensive building condition survey was carried out by registered professional surveyors (Building Surveying) and experienced building services engineers. It consisted of visual inspection of the building elements of common areas and units, major building services installations and review of the current building layout of the Development in order to verify its overall condition and conformity to the relevant statutory requirements in respect of health and safety. The findings of the survey are as follows:

(a) *Structural Soundness*

Visual inspection was carried out of the exposed structure of the Development. No major structural defects or deficiencies which a prudent creditor or purchaser might take into consideration were found. We are satisfied that the structure of the Development is sound.

(b) *Building Layout*

Having reviewed the approved general building plans, the relevant permits and the information provided by the Manager against the existing site condition and usage at the time of inspection, no unauthorised additional building work or incompatible use was found in the Development.

(c) *Health and Safety*

We noted that the Development complied generally with relevant health and safety requirements as at the time of inspection.

(d) *Building Defects*

The overall condition of the building elements of accessible common areas and units in the Development was generally good.

(e) *Building Services Defects*

The major building services installations, including mechanical ventilation air-conditioning, fire services, escalators and lifts, plumbing, above ground drainage and grey water recycle systems of the Development were in good condition.

3. Reports Delivered

We have prepared a comprehensive condition survey report for the Development. The contents of the report include:

- (a) a summary of the report;
- (b) a brief description of the Development;
- (c) a brief description of minor visible defects of building elements and building services installation that were found during the inspection;
- (d) our recommendations on remedial works for defects ;
- (e) a confirmation of no contravention to the local regulations, Planning Permit and other relevant requirements;

- (f) a confirmation that the Development complies generally with relevant health and safety regulations;
- (g) a confirmation that no damage was caused to adjacent land, that there is no encroachment on Government land or development of others and that no squatter or trespasser was found on the Development;
- (h) ten-year forecasts of maintenance and capital expenditure; and
- (i) photographic records of defects.

4. Cost Estimates for Remedial Works and Ten-years Forecast of Maintenance and Capital Expenditure

After the extent and nature of those minor visible defects were identified, we estimated the cost of necessary remedial works. In addition to the cost of remedial works, we have prepared a ten-year forecast of maintenance and capital expenditure for some building elements and building services installation that may be required within that time.

The summary of this forecast is shown below.

The following methodology was adopted to estimate the ten-year forecast of maintenance and capital expenditure:

- (a) The estimation of repair costs was based on the minor visible defects that were found during the visual inspection of the accessible common areas of the Development.
- (b) The estimation of this forecast was based on historical cost data provided by the Manager, the existing condition and age of the Development, together with appropriate maintenance schedules formulated using our professional judgment.
- (c) The estimation of this forecast has included allowance for inflation which is shown in Million RMB.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Repair and Maintenance	53	75	82	86	84	78	74	76	75	74
Improvement works	93	73	71	22	25	32	32	32	32	32
Total	146	148	153	108	109	110	106	108	107	106

5. Conclusion

Based on our building condition survey and visual inspection of the Development on 8 October 2010 to 12 October 2010, only defects of a minor nature were found and they do not affect the structural stability of the Development. Thus, we conclude that the building is structurally safe and is maintained in good condition and that there are no material defects that would affect the operation and usage of the Development and/or impede the transfer of the Development.

6. Caveats

- (a) The survey and review are based on the information provided by the Manager, such as approved general building plans, permits, the licensing information of existing usage, as-built services drawings, test certificates, maintenance and capital expenditure records. We conducted interviews with the Technical Manager of the Development so as to establish a good understanding of the use of the various parts of the Development. We have also independently verified the information provided by the Manager through physical site inspections.

- (b) The survey was conducted based on visual inspection and no testing was carried out on any of the structure, building fabric, services or equipment of the Development.
- (c) We cannot accept any liability for the condition of concealed or inaccessible parts of the Development.

7. Disclosure

All relevant PRC laws and regulations, including Construction Law of the People's Republic of China and Law of The Peoples Republic of China on Administration of the Urban Real Estate, have been considered by us when preparing the comprehensive building condition survey report.

Your sincerely

For and on behalf of

Savills Project Consultancy Limited

Remus Wong

Associate Director

MSc BSc MHKIS MRICS RPS(BS)

ACI Arb Authorised Person (List of Surveyors)