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越秀房地產投資信託基金

YUEXIU REAL ESTATE INVESTMENT TRUST

(A Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock code: 00405)

Managed by



越秀房託資產管理有限公司

YUEXIU REIT ASSET MANAGEMENT LIMITED

Yuexiu REIT Asset Management Limited

ANNOUNCEMENT

ESTABLISHMENT AND PROPOSED LISTING OF US\$1,000,000,000 GUARANTEED MEDIUM TERM NOTE PROGRAMME

The Board is pleased to announce that on 21 March 2013, a wholly-owned subsidiary of Yuexiu REIT successfully established a U.S.\$1,000,000,000 guaranteed medium term note programme. The Notes may be issued by the Issuer from time to time, and will be guaranteed by the REIT Trustee, in its capacity as trustee of Yuexiu REIT.

Application has been made to the Stock Exchange for the listing of the Programme and for the listing of, and permission to deal in, any Notes issued thereunder within 12 months after 21 March 2013 by way of “debt issues to professional investors only” in accordance with Chapter 37 of the Listing Rules. Such investors will fall within the definition of “professional investor” under the SFO. The listing of the Programme is expected to become effective on or about 22 March 2013.

This announcement is made pursuant to paragraph 10.3 of the Code on Real Estate Investment Trusts (the “**REIT Code**”).

ESTABLISHMENT AND PROPOSED LISTING OF THE PROGRAMME

The board of directors (the “**Board**”) of Yuexiu REIT Asset Management Limited (as manager of Yuexiu REIT) (the “**Manager**”) is pleased to announce that on 21 March 2013, a wholly-owned subsidiary of Yuexiu Real Estate Investment Trust (“**Yuexiu REIT**”) successfully established a guaranteed medium term note programme (the “**Programme**”).

A summary description of the Programme is as follows:

Issuer: Yuexiu REIT MTN Company Limited (the “**Issuer**”), a company incorporated in the British Virgin Islands with limited liability.

(The Issuer is a special purpose vehicle wholly-owned and controlled by Yuexiu REIT.)

Guarantor: HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of Yuexiu REIT) (the “**REIT Trustee**”)

Size: Up to US\$1,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of notes to be issued under the Programme (the “**Notes**”) outstanding at any one time. The Issuer and the Manager may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement (defined below), with such increased aggregate nominal amount to be disclosed in subsequent formal notices.

Types of Notes: The Programme allows for the issue of Notes in any currency or tenor subject to compliance with relevant laws, regulations, directives or requirements. Notes may be fixed rate, floating rate or zero-coupon, with no embedded derivatives and may be of any size (subject to the limitation set out in the preceding paragraph). The Notes to be issued under the Programme are unsecured. The Manager considers that the Notes to be issued will be on terms which are customary for medium-term notes in the market.

Arrangers: Bank of China (Hong Kong) Limited, BOCI Asia Limited, DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) and Morgan Stanley & Co. International plc (collectively, the “**Arrangers**”)

Rating: Yuexiu REIT and Programme have been rated “Baa2” by Moody’s Investors Service Inc., a subsidiary of Moody’s Investors Service, Inc., and BBB by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc.. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. In respect of any further ratings, the Manager will comply with the disclosure obligations under paragraphs 10.3 and 10.4 of the REIT Code.

Governing law: English law

Listing: Application has been made to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the listing of the Programme and for the listing of, and permission to deal in, any Notes issued thereunder within 12 months after 21 March 2013 on the Stock Exchange by way of “debt issues to professional investors only”, in accordance with Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”). Such investors (the “**Investors**”) will fall within the definition of “professional investor” under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**SFO**”). The listing of the Programme is expected to become effective on or about 22 March 2013.

Unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may also be issued pursuant to the Programme.

The Issuer shall not issue any Notes if to do so shall cause Yuexiu REIT to breach the gearing ratio threshold (45%) permitted under paragraph 7.9 of the REIT Code.

CONNECTED PARTY TRANSACTIONS WAIVERS

Pursuant to a dealer agreement dated 21 March 2013 relating to the Programme and the offering and sale of Notes (the “**Dealer Agreement**”) entered into by the Issuer, the Manager and the Arrangers (as arrangers and dealers), HSBC is appointed as one of the arrangers, and HSBC is among the dealers, for the Programme and the Notes.

HSBC (by reason of being a company within the same group as the REIT Trustee) is a connected person of Yuexiu REIT under the REIT Code. Hence, the Dealer Agreement and potentially the transactions contemplated under the Programme constitute connected party transactions of Yuexiu REIT under the REIT Code. The Dealer Agreement and the transactions under the Programme that involve HSBC (the “**Programme-related CPTs**”) constitute “corporate finance transactions” between Yuexiu REIT on the one part and the HSBC group on the other part respectively, and are covered by the waivers granted by the Securities and Futures Commission to Yuexiu REIT on 8 December 2005 from strict compliance with Chapter 8 of the REIT Code in relation to certain categories of transactions with parties related to the REIT Trustee. The Manager confirms that the details of the Programme-related CPTs will be disclosed in the annual report of Yuexiu REIT, as required under the terms of the aforesaid waivers.

USE OF PROCEEDS

The net proceeds of any Notes issued under the Programme shall be used for the refinancing of indebtedness of Yuexiu REIT and/or other general corporate purposes of Yuexiu REIT.

VALUATION REPORT

In connection with the Programme, the Manager will provide the prospective Investors with a valuation report on Yuexiu REIT’s properties as at 31 December 2012 (the “**Property Valuation Report**”). The Property Valuation Report is attached to this announcement for the information of Unitholders.

FURTHER ANNOUNCEMENT

The Manager will make an announcement in respect of any change or update in relation to the Programme or any issue of Notes in the future (and also publish a formal notice where the Notes are to be issued and listed on the Stock Exchange in accordance with the Listing Rules).

By order of the board of directors of
Yuexiu REIT Asset Management Limited
(as manager of Yuexiu Real Estate Investment Trust)

YU Tat Fung
Company Secretary

Hong Kong, 21 March 2013

As at the date of this announcement, the Board comprises:

Executive Directors: Messrs. LIANG Ningguang (Chairman) and LIU Yongjie

Non-executive Director: Mr. LI Feng

Independent Non-executive Directors: Messrs. CHAN Chi On Derek, LEE Kwan Hung Eddie and CHAN Chi Fai Brian

VALUATION REPORT



Yuexiu REIT Asset Management Limited
("Manager")
24th Floor
Yue Xiu Building
Nos.
160-174 Lockhart Road
Wanchai
Hong Kong

HSBC Institutional Trust Services (Asia) Limited
("Trustee")
17th Floor, Towers 2 & 3
HSBC Centre
No. 1 Sham Mong Road
Kowloon
Hong Kong

13 March 2013

Dear Sirs,

RE: VARIOUS UNITS OF THE FOLLOWING PROPERTIES (THE "PROPERTIES") HELD BY YUEXIU REAL ESTATE INVESTMENT TRUST ("YUEXIU REIT") LOCATED IN GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

- **GUANGZHOU INTERNATIONAL FINANCE CENTER**
- **WHITE HORSE BUILDING**
- **FORTUNE PLAZA**
- **CITY DEVELOPMENT PLAZA**
- **VICTORY PLAZA**
- **YUE XIU NEO METROPOLIS PLAZA**

In accordance with your instructions for us to value the Properties, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 December 2012 (the "Date of Valuation") for annual accounting purpose.

Our valuation of the Properties is our opinion of its market value which we would define as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In the course of our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the Properties for their specific terms at nominal annual land use fees have been granted and that any premium payable have already been fully settled. We have also assumed that, unless otherwise stated, the owner of the Properties has proper legal titles and has free and uninterrupted rights to use, occupy or assign the Properties for the whole of the terms as granted.

We have been provided with extracts of some title documents relating to the Properties. However, we have not searched the original documents to ascertain the existence of any amendments which may not appear on the copy handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Manager and accepted advice on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the authenticity and accuracy of the information provided. We are also advised by the Manager that no material facts have been omitted from the information supplied.

We have inspected the Properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoing of any onerous nature which could affect their values.

Our valuation is prepared in accordance with paragraph 6.8 of the Code on Real Estate Investment Trusts ("REIT Code") issued by the Securities and Futures Commission of Hong Kong Code and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors. We confirm that we meet the criteria under paragraph 6.4 and Practice Note Nos. 17 and 25 of the REIT Code. We are independent of Yuexiu REIT, the trustee and the manager and each of the significant shareholders of the scheme within the meaning of paragraph 6.5 of the REIT Code.

Neither the whole nor any part of this valuation report nor any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this valuation certificate is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Unless otherwise stated, all monetary amounts stated in this report are denoted in Renminbi (“RMB”), the lawful currency of the PRC.

Our valuation report is enclosed herewith.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited

Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Charles C K Chan is a Chartered Estate Surveyor and has about 29 years’ experience in the valuation of properties in Hong Kong and 24 years’ experience in the valuation of properties in the PRC.

1. BASIS OF VALUATION

Our valuations have been carried out in accordance with “The HKIS Valuation Standards (2012 Edition)” published by The Hong Kong Institute of Surveyors. Our valuations are made on the basis of “market value” which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller on an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. We have valued the Properties in their existing states based on the assumption that the Properties can be freely transferred, mortgaged or let out in the prevailing market and all proper title certificates have been obtained and all land-use rights grant premium have been fully settled.

2. VALUATION APPROACH

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation, we have principally adopted both Income Capitalization Approach and Discounted Cash Flow Method (“DCF”).

2.1. INCOME CAPITALIZATION APPROACH

Income capitalization approach estimates the values of the Properties on a market value basis by capitalization net rental income on a fully let basis having regards to the current passing rental income from existing tenancies and potential future reversionary income at market level. In calculating the net rental income, no deduction has been made from the net passing rental income which is exclusive of property management fee. In this valuation method, the assessment is divided into current passing rental income over existing lease terms (the “term value”), and potential future reversionary rental income (the “reversionary value”). The term value assessments involve capitalization of current passing rental income over the existing lease terms; whilst the reversionary value assessments are taken to be current market rental income upon lease expiry and are capitalized on fully let basis and discounted back to the Date of Valuation. In this approach, we have considered the appropriate term yields and reversionary yields for each property. The term yields are used for capitalization of the current passing rental income as at the Date of Valuation; whilst the reversionary yields are adopted to convert reversionary rental income.

2.2. DCF

DCF is commonly applied when adopting the income method of valuation which takes “time value of money” into account and evaluates the value of an investment by arriving at a total net present value. The net present value of an investment is the value in current date of all present and future cash flows discounted at appropriate discount rate to reflect the opportunity cost, which reflects the returns available on investing in an alternative investment of equal timing and risk, and inflation of those cash flows; whilst the total net present value is the aggregate net cash flow of each period discounted at the same. Our DCFs are carried out on yearly basis over either a 5-year or a 10-year investment horizon depending on the types of property. In arriving at our opinion of values from DCF, we have made projections for either a 5-year or a 10-year cash flow from the Date of Valuation, and the anticipated net income of each income stream receivable thereafter is summed at a flatted growth rate in present value to reflect the future net income growth beyond the years. The method is based on the assumption of a cash purchase, and no allowance has been made for interest and/or any other kinds of funding costs.

3. VALUATION ASSUMPTIONS

Our valuations are subject to the following caveats and assumptions:

- 3.1. Inspections to the exterior and interior of the Properties have been carried out; but no test was carried out on any structure of the Properties.
- 3.2. We assume no responsibility for legal matters nor do we render any opinion as to the titles of the Properties which are assumed to be good and marketable. We are not aware of any easements or rights of way affecting the Properties and our valuations assume that none exists.

- 3.3. We have assumed that the Properties have been constructed, occupied and used in full compliance with, and without contravention of, all ordinances and regulations, except only where otherwise stated. We have further assumed that, for any use of the subject properties upon which this report is based, any and all required licenses, permits, certificates, and authorizations have been obtained, except only where otherwise stated.
- 3.4. Our valuations have been made on the assumption that the Properties can be sold in the prevailing market without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which may serve to affect the values of the Properties. In addition, no forced sale situation in any manner is assumed in our valuations.
- 3.5. No account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Properties, and no allowance has been made for the Properties to be sold to a single party and/or as a portfolio or portfolios.
- 3.6. Having examined all relevant documentation, we have relied to a considered extent on the information given by the Manager, particularly in respect of planning approvals or statutory notices, land-use rights, site and floor areas, occupancy status, rent rolls, age and specifications of buildings as well as in the identification of the Properties.
- 3.7. We have not carried out detailed on-site measurements to verify the correctness of the site and floor areas in respect of the Properties but we have assumed that the site and floor areas shown on the documents handed to us are correct and accurate.
- 3.8. Based on our experience of valuations of similar properties in the PRC, we consider that the assumptions so made are reasonable.
- 3.9. The study of possible alternative development options and the related economics are not within the scope of this report.

4. SUMMARY OF VALUES

A summary of our opinion of the market value of each of the Properties as at the Date of Valuation is tabulated as follows:

| <u>No.</u> | <u>Property</u> | <u>Market Value as at 31 December 2012</u> |
|------------|---|--|
| 1. | Guangzhou International Finance Center..... | RMB15,512,000,000 |
| 2. | White Horse Building..... | RMB3,855,000,000 |
| 3. | Fortune Plaza | RMB780,000,000 |
| 4. | City Development Plaza | RMB648,000,000 |
| 5. | Victory Plaza..... | RMB782,000,000 |
| 6. | Yue Xiu Neo Metropolis Plaza | RMB749,000,000 |

Part A — Valuation of the Guangzhou International Finance Center, No. 5 Zhujiang West Road, Tian He District, Guangzhou, Guangdong Province, the PRC (the “Property”)

1. SUMMARY OF THE PROPERTY

According to the information supplied by the Manager, a total number of 380 Certificates of Building Ownership have been issued in respect of the Property. Details of the Property are tabulated as follows:

| | |
|-----------------------------------|---|
| a. Property Description | Guangzhou International Finance Center is a comprehensive development comprising a shopping mall, office, serviced apartment, a 5-star hotel and 1,679 below-ground car parking spaces |
| b. Type of land use rights | Granted |
| c. Land use | Land use of the underlying land of the Property is described as “Residential, commercial, tourism & entertainment, and other uses” |
| d. Land use rights term | Residential 70 years from 23 June 2008 Commercial, tourism & entertainment 40 years from 23 June 2008 Other uses 50 years from 23 June 2008 |
| e. Registered owner | Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. (廣州越秀城建國際金融中心有限公司) |
| f. Gross floor area | Office — 183,539.65 sq.m. Hotel — 89,198.83 sq.m. Retail — 46,989.16 sq.m. Serviced apartment — 51,102.26 sq.m. Car park — 71,082.79 sq.m. Ancillary facilities — 15,443.99 sq.m. Total: 457,356.68 sq.m. |
| g. Gross rental area | Office — 183,539.65 sq.m. Hotel — 89,198.83 sq.m. Retail — 46,727.30 sq.m. Serviced apartment — 51,102.26 sq.m. Car park — 71,082.79 sq.m. Total: 441,650.83 sq.m. |

2. LOCATION AND ENVIRONMENT

2.1 LOCALITY AND LAND-USE

Guangzhou International Finance Center, a comprehensive development comprising a shopping mall, office, serviced apartment, a 5-star hotel and 1,679 below-ground car parking spaces, is located at No. 5 Zhujiang West Road, Tian He District, Guangzhou, Guangdong Province, the PRC. The Property is at the centre of the uprising central business district in Guangzhou, namely Zhujiang New Town (“ZJNT”).

The Property is situated in Tian He District which is a rapidly developing area in Guangzhou and is the present focus of new Grade A office developments. According to the State-owned Land Use Rights Certificate, the land-use of the underlying land use rights of the Property is described as “Residential, commercial, tourism & entertainment and other uses”.

2.2 SURROUNDING DEVELOPMENT AND ENVIRONMENTAL ISSUES

ZJNT is bounded by Hungpu Avenue to the north, the Pearl River to the south, Guangzhou Avenue to the west and the South China Expressway to the east. It has a total site area of approximately 6.4 sq.km. with a 1.4 sq.km. area that is home to 39 buildings with a total gross floor area of approximately 4.6 million sq.m. in the western part of ZJNT having been identified by the government as the financial business district (“ZJNT CBD”). Together with Tian He North, ZJNT forms the Guangzhou Tian He CBD.

Surrounding developments in the locality are dominated by high-rise comprehensive commercial/office developments. The pedestrian flow along this section of Zhujiang West Road is average. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding areas. Due to the land registration system in the PRC, we cannot trace any information regarding previous developments erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3 ACCESSIBILITY

General accessibility to the Property is good as public transportation facilities such as taxis and buses are available along Zhujiang West Road. The Property has an access to the Zhujiang New Town Station of both Subway Line Nos. 3 and 5. The Property is within in a short walking distance from the Hua Chen Guang Chang Station (花城廣場站) of Automated People Mover.

3. PROPERTY DESCRIPTION

Guangzhou International Finance Center is a landmark mixed-use premium grade commercial property featuring one of the ten tallest skyscrapers in the world. It was completed in both 2010 and 2011. It comprises premium Grade A offices, a high-end shopping mall, a 5-star hotel operated by the Four Seasons Group, luxury serviced apartment operated by Ascott as well as 1,679 below-ground car parks and other ancillary facilities areas. The main entrance of the Property abuts Zhujiang West Road. The Property comprises the following:

Retail

The shopping mall occupies 6 floors of the podium and has a total gross floor area of approximately 46,989.16 sq.m. including a staff canteen of approximately 2,698.93 sq.m. on Level 4. It has been master leased to Guangzhou Friendship Department Store for a term of 15 years since 31 May 2010. It commenced operation in November 2010.

Office

The office portion of the Property has a total gross floor area of approximately 183,539.65 sq.m. and comprises Levels 4 to 65 of the Property’s main tower and a Financier’s Club House on Levels 27 and 28, North Tower of the annex building. It was completed and commenced operation in June 2011.

Hotel

It comprises 344 guest rooms as well as conference facilities, a fitness centre, and other amenities such as spa facilities, a swimming pool and restaurants. It is located on Levels 68 to 100 of the Property’s main tower and Levels 1 to 5 of the podium (portion). The hotel has a total gross floor area of approximately 89,198.83 sq.m.. It is currently operated by the Four Seasons Group and under the trade name of “Four Seasons Hotel Guangzhou”.

Serviced apartment

The serviced apartment portion of the Property is located on Levels 6 to 28 of the Property's annex building with a total number of 314 units. It has a total gross floor area of approximately 51,102.26 sq.m. including a club house of approximately 2,866.96 sq.m.. It is currently operated under the trade name of "Ascott IFC Guangzhou".

Car park and other ancillary areas

There are a total number of 1,679 under-ground car parking spaces. Total gross floor areas of both car park and ancillary areas are approximately 71,082.79 sq.m. and 15,443.99 sq.m. respectively. They were completed and commenced operations in July 2011.

According to the information provided by the Manager, the Property has a total gross floor area of approximately 457,356.68 sq.m. Summary of breakdown floor areas and uses of the Property is as follows:

| <u>Level</u> | <u>Use</u> | <u>Gross Floor Area</u> (sq.m.) |
|---|--|------------------------------------|
| Basements 2 to 4 | Car parking spaces | 71,082.79 |
| Basement 1 and Levels 1 to 5 | Retail | 46,989.16 |
| Levels 4 to 65 of the Main Tower and Levels 27 & 28 of the Annex Block | Office | 183,539.65 |
| Levels 68 to 100 of the Main Tower and Levels 1 to 5 of the podium | Hotel | 89,198.83 |
| Levels 6 to 28 of the Annex Block | Serviced apartment | 51,102.26 |
| Various floors | Ancillary facilities including refuge floors for office and hotel portions | 15,443.99 |
| Total | | <u><u>457,356.68</u></u> |

The Property is constructed of reinforced concrete with glass curtain walls and is decorated with marble walls and floorings in the common areas. The Property is equipped with central air-conditioning system and raised floors. Main services of the Property comprise electricity, water and telecommunications.

The standard of services and finishes within the Property is considered to be good.

4. OWNERSHIP

4.1 PORTION OF INTERESTS HELD BY YUEXIU REIT

Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. (廣州越秀城建國際金融中心有限公司) holds the building ownership and the details of the interest are listed below:

| <u>Office Level/Unit</u> | <u>Gross Floor Area</u> | <u>Internal Floor Area</u> |
|------------------------------|-------------------------|----------------------------|
| | (sq.m.) | (sq.m.) |
| 401 | 2,844.29 | 1,922.58 |
| 501 | 2,868.01 | 1,943.28 |
| 601 | 2,890.21 | 1,963.26 |
| 701 | 248.31 | 147.50 |
| 702 | 237.05 | 140.82 |
| 703 | 237.04 | 140.81 |
| 704 | 248.26 | 147.48 |
| 705 | 248.26 | 147.48 |
| 706 | 237.05 | 140.81 |
| 707 | 237.11 | 140.85 |
| 708 | 248.29 | 147.50 |
| 709 | 248.30 | 147.50 |
| 710 | 237.07 | 140.83 |
| 711 | 237.08 | 140.83 |
| 712 | 248.32 | 147.51 |
| 801 | 249.72 | 148.85 |
| 802 | 239.14 | 142.55 |
| 803 | 239.16 | 142.56 |
| 804 | 249.66 | 148.82 |
| 805 | 249.70 | 148.84 |
| 806 | 239.13 | 142.54 |
| 807 | 239.21 | 142.59 |
| 808 | 249.70 | 148.84 |
| 809 | 249.70 | 148.84 |
| 810 | 239.17 | 142.57 |
| 811 | 239.18 | 142.57 |
| 812 | 249.73 | 148.86 |
| 901 | 251.15 | 150.19 |
| 902 | 241.08 | 144.17 |
| 903 | 241.10 | 144.18 |
| 904 | 251.09 | 150.15 |
| 905 | 251.14 | 150.18 |
| 906 | 241.07 | 144.17 |
| 907 | 241.16 | 144.22 |
| 908 | 251.13 | 150.18 |
| 909 | 251.13 | 150.18 |
| 910 | 241.12 | 144.19 |
| 911 | 241.13 | 144.20 |
| 912 | 251.16 | 150.20 |
| 1001 | 252.52 | 151.47 |

| Office Level/Unit | Gross Floor Area | Internal Floor Area |
|----------------------|------------------|---------------------|
| | (sq.m.) | (sq.m.) |
| 1002 | 242.95 | 145.73 |
| 1003 | 242.96 | 145.74 |
| 1004 | 252.46 | 151.44 |
| 1005 | 252.51 | 151.47 |
| 1006 | 242.94 | 145.72 |
| 1007 | 243.02 | 145.77 |
| 1008 | 252.50 | 151.46 |
| 1009 | 252.50 | 151.46 |
| 1010 | 242.98 | 145.75 |
| 1011 | 242.99 | 145.76 |
| 1012 | 252.53 | 151.48 |
| 1101 | 2,991.38 | 1,869.24 |
| 1401 | 3,071.42 | 2,113.31 |
| 1501 | 3,141.03 | 2,125.30 |
| 1601 | 3,156.79 | 2,143.86 |
| 1701 | 3,170.19 | 2,142.22 |
| 1801 | 3,182.72 | 2,152.89 |
| 1901 | 3,194.35 | 2,163.04 |
| 2001 | 3,205.08 | 2,172.36 |
| 2101 | 3,214.90 | 2,180.91 |
| 2201 | 1,863.49 | 1,170.63 |
| 2202 | 301.95 | 189.68 |
| 2203 | 1,144.63 | 719.04 |
| 2301 | 535.50 | 324.56 |
| 2302 | 535.50 | 324.56 |
| 2303 | 535.50 | 324.56 |
| 2304 | 535.50 | 324.56 |
| 2305 | 535.50 | 324.56 |
| 2306 | 535.50 | 324.56 |
| 2401 | 534.96 | 325.64 |
| 2402 | 534.89 | 325.59 |
| 2403 | 534.80 | 325.54 |
| 2404 | 534.80 | 325.54 |
| 2405 | 534.90 | 325.60 |
| 2406 | 534.96 | 325.63 |
| 2501 | 535.91 | 327.92 |
| 2502 | 535.90 | 327.91 |
| 2503 | 535.91 | 327.92 |
| 2504 | 535.90 | 327.91 |
| 2505 | 535.90 | 327.91 |
| 2506 | 535.92 | 327.92 |
| 2601 | 544.26 | 329.31 |
| 2602 | 544.24 | 329.30 |
| 2603 | 544.26 | 329.31 |
| 2604 | 544.25 | 329.30 |

| Office Level/Unit | Gross Floor Area | Internal Floor Area |
|----------------------|------------------|---------------------|
| | (sq.m.) | (sq.m.) |
| 2605 | 544.24 | 329.30 |
| 2606 | 544.26 | 329.31 |
| 2701 | 545.02 | 329.97 |
| 2702 | 544.95 | 329.92 |
| 2703 | 544.94 | 329.92 |
| 2704 | 544.93 | 329.91 |
| 2705 | 544.96 | 329.92 |
| 2706 | 545.03 | 329.97 |
| 2801 | 545.62 | 330.48 |
| 2802 | 545.51 | 330.41 |
| 2803 | 545.48 | 330.39 |
| 2804 | 545.46 | 330.38 |
| 2805 | 545.50 | 330.41 |
| 2806 | 545.63 | 330.48 |
| 2901 | 540.62 | 330.79 |
| 2902 | 540.61 | 330.78 |
| 2903 | 540.62 | 330.79 |
| 2904 | 540.61 | 330.78 |
| 2905 | 540.60 | 330.78 |
| 2906 | 540.63 | 330.79 |
| 3201 | 275.12 | 166.00 |
| 3202 | 273.52 | 165.03 |
| 3203 | 273.52 | 165.03 |
| 3204 | 275.12 | 166.00 |
| 3205 | 275.12 | 166.00 |
| 3206 | 273.64 | 165.10 |
| 3207 | 273.50 | 165.02 |
| 3208 | 275.20 | 166.05 |
| 3209 | 275.20 | 166.05 |
| 3210 | 273.55 | 165.05 |
| 3211 | 273.57 | 165.06 |
| 3212 | 275.12 | 166.00 |
| 3301 | 274.77 | 165.93 |
| 3302 | 273.13 | 164.95 |
| 3303 | 273.13 | 164.95 |
| 3304 | 274.77 | 165.93 |
| 3305 | 274.77 | 165.93 |
| 3306 | 273.16 | 164.96 |
| 3307 | 273.14 | 164.95 |
| 3308 | 274.77 | 165.94 |
| 3309 | 274.77 | 165.94 |
| 3310 | 273.13 | 164.95 |
| 3311 | 273.14 | 164.95 |
| 3312 | 274.77 | 165.93 |
| 3401 | 274.62 | 165.80 |

| Office Level/Unit | Gross Floor Area | Internal Floor Area |
|----------------------|------------------|---------------------|
| | (sq.m.) | (sq.m.) |
| 3402 | 272.92 | 164.77 |
| 3403 | 272.92 | 164.77 |
| 3404 | 274.61 | 165.80 |
| 3405 | 274.61 | 165.80 |
| 3406 | 273.00 | 164.82 |
| 3407 | 272.86 | 164.74 |
| 3408 | 274.61 | 165.80 |
| 3409 | 274.61 | 165.80 |
| 3410 | 272.91 | 164.77 |
| 3411 | 272.93 | 164.78 |
| 3412 | 274.62 | 165.80 |
| 3501 | 279.18 | 165.63 |
| 3502 | 277.27 | 164.49 |
| 3503 | 277.27 | 164.49 |
| 3504 | 279.16 | 165.62 |
| 3505 | 279.16 | 165.62 |
| 3506 | 277.35 | 164.55 |
| 3507 | 277.22 | 164.46 |
| 3508 | 279.19 | 165.63 |
| 3509 | 279.19 | 165.63 |
| 3510 | 277.27 | 164.50 |
| 3511 | 277.29 | 164.51 |
| 3512 | 279.18 | 165.63 |
| 3601 | 283.16 | 165.35 |
| 3602 | 281.15 | 164.18 |
| 3603 | 281.15 | 164.18 |
| 3604 | 283.26 | 165.41 |
| 3605 | 283.26 | 165.41 |
| 3606 | 281.23 | 164.23 |
| 3607 | 281.09 | 164.15 |
| 3608 | 283.15 | 165.35 |
| 3609 | 283.15 | 165.35 |
| 3610 | 281.10 | 164.15 |
| 3611 | 281.12 | 164.16 |
| 3612 | 283.16 | 165.35 |
| 3701 | 282.81 | 165.04 |
| 3702 | 280.67 | 163.79 |
| 3703 | 280.63 | 163.77 |
| 3704 | 282.91 | 165.10 |
| 3705 | 282.91 | 165.10 |
| 3706 | 280.75 | 163.84 |
| 3707 | 280.64 | 163.77 |
| 3708 | 282.81 | 165.04 |
| 3709 | 282.80 | 165.03 |
| 3710 | 280.56 | 163.73 |

| Office Level/Unit | Gross Floor Area | Internal Floor Area |
|----------------------|------------------|---------------------|
| | (sq.m.) | (sq.m.) |
| 3711 | 280.60 | 163.75 |
| 3712 | 282.81 | 165.04 |
| 3801 | 282.40 | 164.67 |
| 3802 | 280.06 | 163.31 |
| 3803 | 280.06 | 163.31 |
| 3804 | 282.50 | 164.73 |
| 3805 | 282.50 | 164.73 |
| 3806 | 280.14 | 163.35 |
| 3807 | 280.01 | 163.28 |
| 3808 | 282.39 | 164.67 |
| 3809 | 282.39 | 164.67 |
| 3810 | 280.01 | 163.28 |
| 3811 | 280.03 | 163.29 |
| 3812 | 282.40 | 164.67 |
| 3901 | 281.92 | 164.24 |
| 3902 | 279.42 | 162.78 |
| 3903 | 279.35 | 162.74 |
| 3904 | 282.01 | 164.29 |
| 3905 | 282.02 | 164.30 |
| 3906 | 279.49 | 162.82 |
| 3907 | 279.36 | 162.75 |
| 3908 | 281.92 | 164.24 |
| 3909 | 281.90 | 164.23 |
| 3910 | 279.29 | 162.71 |
| 3911 | 279.31 | 162.72 |
| 3912 | 281.91 | 164.23 |
| 4001 | 576.49 | 327.95 |
| 4002 | 576.50 | 327.95 |
| 4003 | 576.47 | 327.93 |
| 4004 | 576.48 | 327.94 |
| 4005 | 576.48 | 327.94 |
| 4006 | 576.48 | 327.94 |
| 4101 | 558.89 | 326.70 |
| 4102 | 558.88 | 326.70 |
| 4103 | 558.89 | 326.70 |
| 4104 | 558.88 | 326.70 |
| 4105 | 558.88 | 326.70 |
| 4106 | 558.89 | 326.70 |
| 4201 | 555.50 | 325.33 |
| 4202 | 555.51 | 325.33 |
| 4203 | 555.48 | 325.31 |
| 4204 | 555.49 | 325.32 |
| 4205 | 555.49 | 325.32 |
| 4206 | 555.50 | 325.32 |
| 4301 | 564.68 | 323.81 |

| Office Level/Unit | Gross Floor Area | Internal Floor Area |
|----------------------|------------------|---------------------|
| | (sq.m.) | (sq.m.) |
| 4302 | 564.68 | 323.82 |
| 4303 | 564.65 | 323.80 |
| 4304 | 564.67 | 323.81 |
| 4305 | 564.67 | 323.81 |
| 4306 | 564.67 | 323.81 |
| 4401 | 562.73 | 322.17 |
| 4402 | 562.74 | 322.18 |
| 4403 | 562.71 | 322.16 |
| 4404 | 562.72 | 322.17 |
| 4405 | 562.72 | 322.17 |
| 4406 | 562.73 | 322.17 |
| 4501 | 560.63 | 320.40 |
| 4502 | 560.64 | 320.41 |
| 4503 | 560.61 | 320.39 |
| 4504 | 560.62 | 320.40 |
| 4505 | 560.62 | 320.40 |
| 4506 | 560.62 | 320.40 |
| 4601 | 558.37 | 318.50 |
| 4602 | 558.38 | 318.51 |
| 4603 | 558.35 | 318.49 |
| 4604 | 558.36 | 318.50 |
| 4605 | 558.36 | 318.50 |
| 4606 | 558.37 | 318.50 |
| 4701 | 546.92 | 316.47 |
| 4702 | 546.92 | 316.47 |
| 4703 | 546.89 | 316.46 |
| 4704 | 546.91 | 316.47 |
| 4705 | 546.91 | 316.47 |
| 4706 | 546.91 | 316.47 |
| 5001 | 558.54 | 311.64 |
| 5002 | 558.53 | 311.64 |
| 5003 | 558.53 | 311.64 |
| 5004 | 558.54 | 311.64 |
| 5005 | 558.54 | 311.64 |
| 5006 | 558.54 | 311.64 |
| 5101 | 552.39 | 309.10 |
| 5102 | 552.39 | 309.10 |
| 5103 | 552.39 | 309.10 |
| 5104 | 552.40 | 309.10 |
| 5105 | 552.39 | 309.10 |
| 5106 | 552.40 | 309.10 |
| 5201 | 549.13 | 306.43 |
| 5202 | 549.13 | 306.43 |
| 5203 | 549.13 | 306.43 |
| 5204 | 549.14 | 306.43 |

| Office Level/Unit | Gross Floor Area | Internal Floor Area |
|----------------------|------------------|---------------------|
| | (sq.m.) | (sq.m.) |
| 5205 | 549.14 | 306.43 |
| 5206 | 549.14 | 306.43 |
| 5301 | 540.71 | 303.63 |
| 5302 | 540.72 | 303.63 |
| 5303 | 540.72 | 303.63 |
| 5304 | 540.72 | 303.64 |
| 5305 | 540.72 | 303.63 |
| 5306 | 540.72 | 303.64 |
| 5307 | 99.22 | 55.71 |
| 5401 | 541.30 | 300.73 |
| 5402 | 541.14 | 300.64 |
| 5403 | 541.14 | 300.64 |
| 5404 | 541.30 | 300.73 |
| 5405 | 541.37 | 300.77 |
| 5406 | 541.37 | 300.77 |
| 5407 | 133.33 | 74.08 |
| 5501 | 537.42 | 297.69 |
| 5502 | 537.27 | 297.60 |
| 5503 | 537.27 | 297.60 |
| 5504 | 537.43 | 297.69 |
| 5505 | 537.50 | 297.73 |
| 5506 | 537.50 | 297.73 |
| 5507 | 133.73 | 74.08 |
| 5601 | 533.26 | 294.45 |
| 5602 | 533.27 | 294.45 |
| 5603 | 533.34 | 294.49 |
| 5604 | 533.50 | 294.58 |
| 5605 | 533.50 | 294.58 |
| 5606 | 533.34 | 294.49 |
| 5607 | 134.16 | 74.08 |
| 5701 | 529.05 | 291.15 |
| 5702 | 529.21 | 291.24 |
| 5703 | 529.28 | 291.27 |
| 5704 | 529.28 | 291.28 |
| 5705 | 529.21 | 291.24 |
| 5706 | 529.06 | 291.15 |
| 5707 | 134.61 | 74.08 |
| 5801 | 553.56 | 287.81 |
| 5802 | 553.56 | 287.81 |
| 5803 | 553.56 | 287.81 |
| 5804 | 553.56 | 287.81 |
| 5805 | 553.56 | 287.81 |
| 5806 | 553.56 | 287.82 |
| 5807 | 139.97 | 72.78 |
| 5901 | 3,318.60 | 1,947.22 |

| Office | | |
|---|-------------------------|----------------------------|
| <u>Level/Unit</u> | <u>Gross Floor Area</u> | <u>Internal Floor Area</u> |
| | (sq.m.) | (sq.m.) |
| 6001 | 3,388.29 | 2,001.50 |
| 6101 | 3,360.15 | 1,984.04 |
| 6201 | 3,330.29 | 1,962.51 |
| 6301 | 3,299.48 | 1,938.56 |
| 6401 | 3,270.78 | 2,012.14 |
| 6501 | 3,238.24 | 1,986.84 |
| Financial Club | | |
| 2730 of Annex Block | 916.25 | 620.47 |
| 2830 of Annex Block | 948.91 | 658.66 |
| <i>Sub-total</i> | <u>183,539.65</u> | <u>110,847.69</u> |
| | | |
| Retail | | |
| <u>Level/Unit</u> | <u>Gross Floor Area</u> | <u>Internal Floor Area</u> |
| | (sq.m.) | (sq.m.) |
| <i>Emporium/Department Store</i> | | |
| Level 1 | 3,766.88 | 3,110.39 |
| Level 2 | 4,828.68 | 3,512.96 |
| Level 3 | 5,204.52 | 3,926.13 |
| Level 4 | 5,157.14 | 3,964.98 |
| Level 5 | 5,148.87 | 4,136.99 |
| Basement 1 | 10,853.12 | 8,329.15 |
| Basement 1 Mezzanine Floor | 9,331.02 | 4,978.53 |
| Level 4 (Portion) from Hotel Banquet (Staff Canteen) | <u>2,698.93</u> | <u>1,797.33</u> |
| <i>Sub-total</i> | <u>46,989.16</u> | <u>33,756.46</u> |
| | | |
| Hotel | | |
| <u>Level/Unit</u> | <u>Gross Floor Area</u> | <u>Internal Floor Area</u> |
| | (sq.m.) | (sq.m.) |
| <i>Rooms</i> | | |
| 6801 | 1,859.47 | 749.22 |
| 6901 | 3,242.12 | 2,039.19 |
| Levels 70 to 100 | 69,291.61 | 35,422.32 |
| | | |
| <i>Banquet</i> | | |
| Level 1 | 1,730.73 | 1,156.70 |
| Level 2 | 3,581.64 | 2,213.23 |
| Level 3 | 4,327.16 | 2,998.53 |
| Level 4 (Portion) | 565.2 | 376.39 |
| Level 5 | <u>4,600.90</u> | <u>3,046.35</u> |
| <i>Sub-total</i> | <u>89,198.83</u> | <u>48,001.93</u> |

| Serviced apartment Level/Unit | Gross Floor Area | Internal Floor Area |
|----------------------------------|------------------|---------------------|
| | (sq.m.) | (sq.m.) |
| 620 | 2,866.96 | 2,088.57 |
| 720 | 1,308.05 | 904.50 |
| 730 | 1,036.76 | 716.90 |
| 820 | 1,290.91 | 904.50 |
| 830 | 1,023.18 | 716.90 |
| 920 | 1,258.97 | 904.50 |
| 930 | 997.86 | 716.90 |
| 1020 | 1,322.17 | 904.50 |
| 1030 | 965.95 | 660.81 |
| 1120 | 1,259.40 | 905.19 |
| 1130 | 997.43 | 716.90 |
| 1220 | 1,284.18 | 905.19 |
| 1230 | 1,017.06 | 716.90 |
| 1320 | 1,259.40 | 905.19 |
| 1330 | 997.43 | 716.90 |
| 1420 | 1,322.52 | 905.19 |
| 1430 | 965.46 | 660.81 |
| 1520 | 1,259.40 | 905.19 |
| 1530 | 997.43 | 716.90 |
| 1620 | 1,291.35 | 905.19 |
| 1630 | 1,022.74 | 716.90 |
| 1720 | 1,259.40 | 905.19 |
| 1730 | 997.43 | 716.90 |
| 1820 | 1,322.52 | 905.19 |
| 1830 | 965.46 | 660.81 |
| 1920 | 1,259.40 | 905.19 |
| 1930 | 997.43 | 716.90 |
| 2020 | 1,291.35 | 905.19 |
| 2030 | 1,022.74 | 716.90 |
| 2120 | 1,260.93 | 907.76 |
| 2130 | 995.82 | 716.90 |
| 2220 | 1,324.13 | 907.76 |
| 2230 | 963.90 | 660.81 |
| 2320 | 1,260.93 | 907.76 |
| 2330 | 995.82 | 716.90 |
| 2420 | 1,282.47 | 907.76 |
| 2430 | 1,012.83 | 716.90 |
| 2520 | 1,260.93 | 907.76 |
| 2530 | 995.82 | 716.90 |
| 2620 | 1,296.35 | 907.76 |
| 2630 | 943.67 | 660.81 |
| 2720 | 1,340.49 | 907.76 |
| 2820 | 1,307.83 | 907.80 |
| <i>Sub-total</i> | <u>51,102.26</u> | <u>36,078.14</u> |

| Car park | | |
|------------------------|-------------------------|----------------------------|
| Level/Unit | Gross Floor Area | Internal Floor Area |
| | (sq.m.) | (sq.m.) |
| Basement 1 | 5,740.30 | 3,414.17 |
| Basement 2 | 21,740.52 | 17,963.21 |
| Basement 3 | 21,338.21 | 18,370.57 |
| Basement 4 | <u>22,263.76</u> | <u>19,261.06</u> |
| <i>Sub-total</i> | <u>71,082.79</u> | <u>59,009.01</u> |

5. TENANCY DETAILS

5.1. RENTAL INCOME

According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental incomes and equivalent annual net rental incomes of various portions of the Property were as follows:

| Retail | | |
|-----------------------|------------------------------|-----------------------------|
| Leased Gross | | |
| Rentable Area | Monthly Rental Income | Annual Rental Income |
| 45,340.64 sq.m. | RMB11,153,077.71 | RMB133,836,932.52 |
| Office | | |
| Leased Gross | | |
| Rentable Area | Monthly Rental Income | Annual Rental Income |
| 128,815.37 sq.m. | RMB30,492,576.67 | RMB365,910,920.00 |
| Car park | | |
| Leased Gross | | |
| Rentable Area | Monthly Rental Income | Annual Rental Income |
| 71,082.79 sq.m. | RMB1,083,333.00 | RMB13,000,000.00 |

According to the supplied information, we understand that rental incomes are exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone and air-conditioning charges and so on. The tenants of the Property are from various industries such as bank, food & beverage, garment and so on. We are not aware of any material options or rights of pre-emption which may affect the value of the Property.

5.2. OCCUPANCY RATE

According to the information provided by the Manager, the majority of the Property was leased to various tenants as at the Date of Valuation with the following occupancy rates of the Property held by Yuexiu REIT:

Retail — 97.03%
Office — 70.18%
Car park — 100.00%

5.3. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. The details of the duration lease terms of various portions of the Property are shown below:

| Retail Lease term greater than (year) | Lease term less than or equal to (year) | By area |
|--|--|----------------|
| 0 | 1 | 6.0% |
| 1 | 2 | 0% |
| 2 | 3 | 1.5% |
| 3 | 4 | 0% |
| 4 | 5 | 0% |
| Over 10 | | <u>92.5%</u> |
| | | <u>100.0%</u> |

According to the renewed leases, the details of the lease expiry profile are shown below:

| % of tenancies due to expire in each year by area (%) | By area |
|--|----------------|
| End of 2013 | 6.0% |
| End of 2015 | 1.5% |
| End of 2021 | <u>92.5%</u> |
| | <u>100.0%</u> |

| Office Lease term greater than (year) | Lease term less than or equal to (year) | By area |
|--|--|----------------|
| 0 | 1 | 16.3% |
| 1 | 2 | 5.9% |
| 2 | 3 | 34.4% |
| 3 | 4 | 13.4% |
| 4 | 5 | 17.3% |
| 5 | 6 | 9.4% |
| 6 | 7 | 2.6% |
| 7 | 8 | <u>0.7%</u> |
| | | <u>100.0%</u> |

According to the renewed leases, the details of the lease expiry profile are shown below:

| % of tenancies due to expire in each year by area (%) | By area |
|--|----------------|
| End of 2013 | 5.9% |
| End of 2014 | 34.4% |
| End of 2015 | 29.7% |
| End of 2016 | 17.3% |
| End of 2017 | 9.4% |
| End of 2018 | 2.6% |
| End of 2021 | <u>0.7%</u> |
| | <u>100.0%</u> |

| Car park Lease term greater than (year) | Lease term less than or equal to (year) | By area |
|--|--|----------------|
| 0..... | 1 | 100% |
| | | <u>100.0%</u> |

According to the renewed leases, the details of the lease expiry profile are shown below:

| % of tenancies due to expire in each year by area (%) | By area |
|--|----------------|
| End of 2013..... | 100.0% |
| | <u>100.0%</u> |

5.4. SUMMARY OF MATERIAL RENTAL REVIEW PROVISIONS

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

5.5. HISTORIC OUTGOINGS

As advised by the Manager, the total property management income covers all the property management expenses.

5.6. PROPERTY MANAGEMENT

A property management services agreement and a supplementary agreement were entered into between Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. (廣州越秀城建國際金融中心有限公司) (the “Owner”) and Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. (廣州越秀城建仲量聯行物業服務有限公司) (the “Property Management Company”) on 8 January 2010 and 9 May 2012 respectively for a term of 5 years from 1 July 2012 till 30 June 2017. Under these two agreements, the Property Management Company is entitled to a monthly remuneration of 7.5% of actual property management expenses and subject to minimum and maximum extents of RMB430,000 per month and RMB600,000 per month respectively.

As advised by the Manager, the monthly management fees are payable by the tenants to the Property Management Company.

6. VALUATION

6.1. INCOME CAPITALISATION APPROACH

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the “term and reversion” method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully let basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within the same and/or similar retail/wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yields adopted are 4.75%, 4.50%, 4.50% and 4.50% for retail, office, serviced apartment and car park respectively; and the reversionary yields adopted are 5.25%, 5.00%, 4.50% and 5.00% for retail, office, serviced apartment and car park respectively.

6.2. DISCOUNTED CASH FLOW METHOD

In our valuation, we have adopted various discount rates for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return from comparables of similar types of properties. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon expiry of the leases. We have estimated the rental income growth per annum for 5-year projections to both hotel and serviced apartment portions of the Property and 10-year projections to the remaining portion of the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for two to three years. Upon expiry of such tenancies, new leases will be granted or renewed on three years terms at the then existing market rentals. No deduction has been made for the expected repair and maintenance costs as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items

Retail

| | |
|-------------------------------------|-------|
| Discount Rate | 7.25% |
| Stabilized Annual Growth Rate | 3.0% |
| Stabilized Vacancy Allowance | 5.0% |

Office

| | |
|-------------------------------------|-------|
| Discount Rate | 7.00% |
| Stabilized Annual Growth Rate | 3.0% |
| Stabilized Vacancy Allowance | 10.0% |

Hotel

| | |
|-------------------------------------|-------|
| Discount Rate | 7.00% |
| Stabilized Annual Growth Rate | 3.0% |
| Stabilized Vacancy Allowance | 25.0% |

Serviced apartment

| | |
|-------------------------------------|-------|
| Discount Rate | 7.50% |
| Stabilized Annual Growth Rate | 3.0% |
| Stabilized Vacancy Allowance | 15.0% |

Car park

| | |
|-------------------------------------|-------|
| Discount Rate | 7.00% |
| Stabilized Annual Growth Rate | 3.0% |
| Stabilized Vacancy Allowance | 30.0% |

The aforesaid vacancy allowances are based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our discounted cash flow, based on the information provided by the Manager, we have projected for 5-year projections to both hotel and serviced apartment portions of the Property and 10-year projections to the remaining portion of the Property at the following amount:

Items

| | |
|---|-------------------------|
| Service Fees based on the Tenancy | 3.00% of rental income |
| Energy and Utility Expenses | 0.5% of rental income |
| Sundry Expenses | 1.0% of rental income |
| Insurance | RMB4.00/sq.m./month |
| Business Tax and others | 5.50% of rental income |
| Flood Prevention Fee | 0.09% of rental income |
| Urban Real Estate Tax | 12.00% of rental income |
| Stamp Duty | 0.10% of rental income |

6.3. OPINION OF VALUE

Based on our valuation method of income capitalization approach including discounted cash flow method, we are of the opinion that the total Market Value of the Property in its existing state as at the Date of Valuation is in the sum of **RMB15,512,000,000 (RENMINBI FIFTEEN BILLION FIVE HUNDRED AND TWELVE MILLION ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title being free from all material encumbrances or defects.

Part B — Valuation of various units held by Yuexiu REIT located in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC (the “Property”)

1. SUMMARY OF THE PROPERTY

According to the information supplied by the Manager, a total number of 9 Certificates of Building Ownership have been issued in respect of the Property. Details of the Property are tabulated as follows:

| | |
|-----------------------------------|---|
| a. Property Description | White Horse Building is a 10-storey wholesale garment shopping centre including 8 levels above ground, a lower ground level and a level of basement car park. The Property comprises a number of units of the building |
| b. Type of land use rights | Granted |
| c. Land use | Land use of the underlying land of White Horse Building is described as “Commercial/Office” |
| d. Land use rights terms | Lower Ground Level 50 years from 7 June 2005 Levels 1 to 3 40 years from 7 June 2005 Level 4 (7,164.2 sq.m.) 40 years from 7 June 2005 Level 4 (531.4 sq.m.) 50 years from 7 June 2005 Levels 5 to 8 50 years from 7 June 2005 |
| e. Registered owner | Partat Investment Limited |
| f. Gross floor area | Retail — 46,279.3 sq.m. Office — 3,920.0 sq.m. Total: 50,199.3 sq.m. |
| g. Internal floor area | 48,100.6 sq.m. |
| h. Gross rentable area | 50,128.9 sq.m. |

2. LOCATION AND ENVIRONMENT

2.1. LOCALITY AND LAND-USE

White Horse Building, a 10-storey wholesale garment shopping centre including 8 levels above ground, a lower ground level and a level of basement car park, is located at Nos. 14, 16 and 18 Zhan Nan Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC. The Property is close to Guangzhou Railway Station, bus terminal and No. 2 Metro Line.

The Property is located in Yuexiu District and accessibility is considered to be good. The main garment wholesale area of Guangzhou is situated around Zhan Nan Road, Yuexiu District. The area is very popular among wholesalers because of its location close to the Guangzhou Railway Station and major expressways. According to the State-owned Land-use Rights Grant Contract signed on 28th June 2005, the land-use of the underlying land of White Horse Building is described as “Commercial/Office”.

2.2. SURROUNDING DEVELOPMENT AND ENVIRONMENTAL ISSUES

Developments in the area comprise mainly commercial buildings and retail shopping and wholesale centres, interspersed with some older medium-rise residential buildings. The pedestrian flow along that section of Zhan Nan Road West is heavy as it is opposite to the bus terminal and close to the Guangzhou Railway Station. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding sites.

Due to the land registration system in the PRC, we cannot trace any information regarding previous development erected upon the subject site, and therefore we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3. ACCESSIBILITY

General accessibility to the Property is good as public transportation such as taxis, buses and No. 2 Metro Line are available along Zhan Nan Road. Bus stops are located in 2-minute walking distance from the Property. A pedestrian footbridge adjacent to the Property allows access to the Guangzhou Railway Station. The Guangzhou Railway Station is also connected to No. 2 Metro Line.

3. PROPERTY DESCRIPTION

The Property is located at Nos. 14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou's traditional wholesale business area. According to the information provided by the Manager, the Property has a total gross floor area of approximately 61,703.0 sq.m. Summary of breakdown floor areas and uses of the Property is as follows:

| <u>Level *</u> | <u>Use</u> | <u>Gross Floor Area</u> (sq.m.) |
|--------------------------|------------|------------------------------------|
| Basement 1 | Car park | 5,690.9 |
| Lower Ground Level | Storage | 6,934.5 |
| Level 1 | Commercial | 7,667.0 |
| Level 2 | Commercial | 7,199.8 |
| Level 3 | Commercial | 7,684.9 |
| Level 4 | Commercial | 7,695.6 |
| Level 5 | Commercial | 7,466.4 |
| Level 6 | Commercial | 7,443.9 |
| Level 7 | Commercial | 2,003.5 |
| Level 8 | Commercial | <u>1,916.5</u> |
| Total | | <u><u>61,703.0</u></u> |

**Note:* Level 1, Level 2, Level 3, Level 4, Level 5, Level 6, Level 7 and Level 8 correspond to 2nd, 3rd, 4th, 5th, 6th, 7th, 8th and 9th Floor of White Horse Building respectively.

The site of the Property comprises a regular and level plot with its main frontage on Zhan Nan Road. It was first completed in 1990 and then underwent two separate phase extensions in between 1995 and 1997 as well as between 1998 and 2000. Car parking facilities are located on Basement 1. The layout and design of the Property is reasonable in comparison with other wholesale centres of similar scale and grade in the locality.

The Property was constructed of reinforced concrete with partly glazed and partly mosaic tiling to the exterior elevations and is decorated with marble or granite wall and floor tiles at the main lobby. Main services comprise electricity, water and telecommunications. The building is sub-divided into various units on all levels and is served by 8 passenger lifts and 2 cargo lifts serving Level 1 to Level 6; 2 passenger lifts and a cargo lift serving Level 7 to Level 8; 12 escalators serving Level 1 to Level 4; and 17 staircases serving Level 1 to Level 8.

The standard of services and finishes within the development is considered to be reasonable and commensurate with other wholesale centres in the neighbourhood.

Fire safety measures include automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers are installed throughout the building.

4. OWNERSHIP

4.1. PORTION OF INTERESTS HELD BY YUEXIU REIT

YUEXIU REIT holds a portion of the building and the details of the interest are listed below:

| <u>Level</u> | <u>Use</u> | <u>Gross Floor Area</u> | <u>Internal Floor Area</u> |
|--------------------------|------------|-------------------------|----------------------------|
| | | (sq.m.) | (sq.m.) |
| Lower Ground Level | Storage | 1,121.7 | 1,081.1 |
| Level 1 | Commercial | 7,667.0 | 7,342.6 |
| Level 2 | Commercial | 7,199.8 | 6,892.2 |
| Level 3 | Commercial | 7,684.9 | 7,359.8 |
| Level 4 | Commercial | 7,695.6 | 7,370.0 |
| Level 5 | Commercial | 7,466.4 | 7,149.2 |
| Level 6 | Commercial | 7,443.9 | 7,127.5 |
| Level 7 | Commercial | 2,003.5 | 1,931.0 |
| Level 8 | Commercial | <u>1,916.5</u> | <u>1,847.2</u> |
| Total | | <u>50,199.3</u> | <u>48,100.6</u> |

Upon our site inspection, we noted that Levels 1 to 8 of the Property were occupied as retail shops and ancillary offices. As advised by the Manager, the Lower Ground Level comprises mainly common area including staircases and storage area, which is regarded as non-lettable area.

4.2. TITLE INVESTIGATION

Gongan Building is erected on the south side of White Horse Building with a total gross floor area of approximately 2,700.00 sq.m. According to an agreement signed on 7th February 1994 between “Guangzhou City Construction & Development Group Co. Ltd.” and “Guangzhou City Gongan Bureau”, “Guangzhou City Construction & Development Group Co. Ltd.” was responsible for the design, obtaining approval and construction of Gongan Building; “Guangzhou City Gongan Bureau” was responsible for paying construction cost and land-use rights grant premium of RMB950,000 to “Guangzhou City Construction & Development Group”. “Guangzhou City Gongan Bureau” could use Gongan Building for the residual land-use rights’ terms. As advised by the Manager, we understand that the owner of the Property does not have the right to use and title ownership of Gongan Building but this will not affect the title of “Partat Investment Limited” to the Property.

5. TENANCY DETAILS

5.1. RENTAL INCOME

As at the Date of Valuation, whole of the Property was tenanted. According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income were as follows:

| <u>Leased Gross Rentable Area</u> | <u>Monthly Rental Income</u> | <u>Annual Rental Income</u> |
|-----------------------------------|------------------------------|-----------------------------|
| 50,128.9 sq.m. | RMB26,699,890.00 | RMB320,398,680.00 |

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone and air-conditioning charges and so on. The tenants of the Property are from various industries such as bank, food & beverage, garment and so on. We are not aware of any material options or rights of pre-emption which may affect the value of the Property.

5.2. OCCUPANCY RATE

According to the information provided by the Manager, the majority of the Property was leased to various tenants as at the Date of Valuation with an occupancy rate of 100% of the Property held by Yuexiu REIT.

5.3. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. The details of the duration lease terms are shown below:

| Lease term greater than (year) | Lease term less than or equal to (year) | By area |
|--------------------------------|--|---------|
| 0 | 1 | 13.5% |
| 1 | 2 | 0.3% |
| 2 | 3 | 27.3% |
| 3 | 4 | 41.8% |
| 4 | 5 | 2.0% |
| 5 | 6 | 15.1% |
| | | 100.0% |

According to the renewed leases, the details of the lease expiry profile are shown below:

| % of tenancies due to expire in each year by area (%) | By area |
|---|---------|
| End of 2013 | 17.0% |
| End of 2014 | 49.9% |
| End of 2015 | 33.1% |
| | 100.0% |

5.4. SUMMARY OF MATERIAL RENTAL REVIEW PROVISIONS

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

5.5. HISTORIC OUTGOINGS

As advised by the Manager, the total property management income covers all the property management expenses.

5.6. PROPERTY MANAGEMENT

A tenancy services agreement and its extension agreement were entered into between the Manager, "Partat Investment Limited" (the "Property Company") and "White Horse Property Management Co. Ltd." (the "Leasing Agent") on 7 December 2005 and 31 December 2010 for an initial term of three years and further extended to 31 December 2013. Under these two agreements the

Leasing Agent, who is also the property manager of White Horse Building, will be paid a remuneration of 3.0% per annum of the gross revenue (“Service Fees”) receivable by the Property Company from the operation of the Property. The Leasing Agent, as the property manager of the building is entitled to retain 10.0% of any contributions made by the tenants towards the operating expenses of the building. The Leasing Agent agrees that, for so long as it is the property manager of White Horse Building, the Service Fees paid to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement.

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

6. VALUATION

6.1. INCOME CAPITALISATION APPROACH

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the “term and reversion” method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully let basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within the same and/or similar retail/wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yield adopted is 7.75% and the reversionary yield is 8.25%. The term yield adopted is very close to the market yield because the current passing rental income of the Property is comparable to the estimated current market rental income.

6.2. DISCOUNTED CASH FLOW METHOD

In our valuation, we have adopted a discount rate of 9.6% for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return from comparables of similar types of properties. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for two to three years. Upon expiry of such tenancies, new leases will be granted or renewed on three years terms at the then existing market rentals. No deduction has been made for the expected repair and maintenance costs as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items

| | |
|--|------|
| Discount Rate | 9.6% |
| Growth Rate (10-year Average) | 3.0% |
| Vacancy Allowance (10-year Average) .. | 0.5% |

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our discounted cash flow, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items

| | |
|---|-------------------------|
| Service Fees based on the Tenancy | 3.00% of rental income |
| Energy and Utility Expenses | 0.5% of rental income |
| Sundry Expenses | 1.0% of rental income |
| Insurance | RMB4.00/sq.m./month |
| Business Tax and others | 5.50% of rental income |
| Flood Prevention Fee | 0.09% of rental income |
| Urban Real Estate Tax | 12.00% of rental income |
| Stamp Duty | 0.10% of rental income |

6.3. OPINION OF VALUE

We have summarized the valuation results of each approach in the table below:

| <u>Valuation Method</u> | <u>Opinion of Value</u> |
|--------------------------------------|--------------------------------|
| Income Capitalization Approach | RMB3,890,000,000 |
| Discounted Cash Flow Method | RMB3,820,000,000 |

Based on our valuation method of income capitalization approach including discounted cash flow method, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation is **RMB3,855,000,000 (RENMINBI THREE BILLION EIGHT HUNDRED AND FIFTY-FIVE MILLION ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title being free from all material encumbrances or defects.

The Market Value of the Property is an average of values derived by income capitalization approach and discounted cash flow method.

Part C — Valuation of various units held by Yuexiu REIT located in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu Dong Road, Tian He District, Guangzhou, Guangdong Province, the PRC (the “Property”)

1. SUMMARY OF THE PROPERTY

According to the information supplied by the Manager, a total number of 83 Certificates of Building Ownership have been issued in respect of the Property. Details of the Property are tabulated as follows:

| | |
|-----------------------------------|---|
| a. Property Description | Fortune Plaza comprises a regular and level plot with its main frontage abutting Ti Yu Dong Road upon which a 6-storey commercial podium with two office towers namely East Tower and West Tower, are erected. The East Tower is above the podium from the 8th to 37th storey and the West Tower from the 8th to 27th storey. The Property comprises a number of units of the development |
| b. Type of land use rights | Granted |
| c. Land use | Land use of the underlying land of Fortune Plaza is described as “Commercial/Office” |
| d. Land use rights terms | Level 1 to Level 5 & Level 37 of East Tower and Level 27 of West Tower 40 years from 26 November 2002 Level 8 to Level 9, Level 11 to Level 14, Level 17, Level 19, Level 25 to Level 28 & Level 34 to 36 of East Tower and Level 8 to Level 19 & Level 24 to 26 of West Tower 50 years from 26 November 2002 |
| e. Registered owner | All units except Unit 1701 of East Tower Moon King Limited Unit 1701 of East Tower Guangzhou Jieyacheng Properties Company Limited |
| f. Gross floor area | Retail — 3,853.1 sq.m. Office — 37,502.1 sq.m. Total: 41,355.2 sq.m. |
| g. Internal floor area | 31,389.6 sq.m. |
| h. Gross rentable area | 41,355.2 sq.m. |

2. LOCATION AND ENVIRONMENT

2.1. LOCALITY AND LAND-USE

Fortune Plaza is located at Nos. 114, 116 and 118 Ti Yu Dong Road, Tian He District, Guangzhou, Guangdong Province, the PRC. It is in close proximity to the Guangzhou East Train Station and Metro Station with interchange of Nos. 1 and 3 Metro Line. Tian He District is a rapidly developing area in Guangzhou and is the present focus of new Grade A office developments. Located on the eastern side of Guangzhou, most of the major developments in the area are situated around and overlook Tian He Stadium. This district has emerged as the new Central Business District (“CBD”) of Guangzhou within the last few years, and its increasing popularity with the business community has led to rapid development of commercial buildings around the stadium area, with new developments initially located near the central square but gradually expanding outwards from it.

2.2. SURROUNDING DEVELOPMENT AND ENVIRONMENTAL ISSUES

Developments in the area comprise mainly modern high-rise commercial buildings and low-rise retail shopping centres, interspersed with older medium-rise residential buildings. The pedestrian flow along the section of where the Property located is heavy as it is being at the busier side of Tian He Stadium. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding areas. Due to the land registration system in the PRC, we cannot trace any information regarding previous developments erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3. ACCESSIBILITY

General accessibility to the Property is good as public transportation such as taxis and buses are available along Ti Yu Dong Road, a major roadway in Guangzhou. Bus stops and a metro station are located adjacent to Fortune Plaza. It is located in approximately 5 minutes' driving distance from Guangzhou East Train Station. A pedestrian subway adjacent to the Property allows access to Tian He Stadium.

3. PROPERTY DESCRIPTION

Fortune Plaza is a Grade A commercial complex and located at Tian He District, in Guangzhou's prime business area. According to the information provided by the Manager, the development has a total gross floor area of approximately 81,418.1 sq.m.. Summary of breakdown floor areas and uses of the Property is as follows:

| <u>Level*</u> | <u>Use</u> | <u>Gross Floor Area</u> (sq.m.) |
|----------------------------|---|------------------------------------|
| Basement 1 | Car park and machinery plant room | 8,561.6 |
| Podium - Level 1 to 6..... | Commercial | 23,993.0 |
| Level 7 | Machinery plant room and ancillary facilities | 999.0 |
| East Tower..... | Level 8 to Level 36 - Office Level 37 - Commercial | 28,900.3 |
| West Tower..... | Level 8 to Level 26 - Office Level 27 - Commercial | 18,964.2 |
| Total | | <u>81,418.1</u> |

The site of the development comprises a regular and level plot with its main frontage abutting Ti Yu Dong Road upon which a 6-storey commercial podium with two office towers are erected and were completed in 2003. The East Tower is above the podium from the 8th to 37th storey and the West Tower from the 8th to 27th storey. The main entrance of Fortune Plaza abuts Ti Yu Dong Road. General accessibility to the Property is good as public transportation such as Metro System, buses and taxis are available along Ti Yu Dong Road which is a main roadway in Guangzhou. Car parking facilities are provided on 2 basement levels; a podium garden, a club and other ancillary facilities are located on Level 7. The layout and design of the Property is reasonable in comparison with other office buildings of similar scale and grading in the locality.

The Property is constructed of reinforced concrete with glazed tiling to the exterior elevations and is decorated with marble or granite wall and floor tiles in the main lobby. The specification of the building includes central air-conditioning system.

Main services of the development comprise electricity, water and telecommunications. The building is subdivided into various units on all levels and is served by 10 passenger lifts and 2 cargo lifts serving all levels. The standard of services and finishes within the development is considered to be reasonable and commensurate to other office buildings in the neighbourhood.

The development is maintained in a reasonable condition commensurate with its age. Fire safety measures include automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers are installed throughout the building.

4. OWNERSHIP

4.1. PORTION OF INTERESTS HELD BY YUEXIU REIT

Yuexiu REIT holds a portion of the development and the details of the interest are listed below:

Podium, Ti Yu Dong Road

| <u>Level/Unit</u> | <u>Use</u> | <u>Gross Floor Area</u> (sq.m.) | <u>Internal Floor Area</u> (sq.m.) |
|-------------------------|------------|------------------------------------|---------------------------------------|
| No. 118, Unit 109 | Commercial | 1,007.4 | 968.9 |
| No. 118, Level 2 | Commercial | 2,845.7 | 2,275.8 |
| No. 118, Level 3 | Commercial | 4,275.1 | 3,593.0 |
| No. 118, Level 4..... | Commercial | 4,275.1 | 3,593.0 |
| No. 118, Level 5 | Commercial | 4,275.1 | 3,593.0 |

East Tower, Ti Yu Dong Road

| <u>Level/Unit</u> | <u>Use</u> | <u>Gross Floor Area</u> (sq.m.) | <u>Internal Floor Area</u> (sq.m.) |
|--------------------------|------------|------------------------------------|---------------------------------------|
| No. 116, Unit 801 | Office | 180.2 | 150.0 |
| No. 116, Unit 802 | Office | 124.7 | 79.5 |
| No. 116, Unit 803 | Office | 188.8 | 120.5 |
| No. 116, Unit 805 | Office | 191.7 | 122.3 |
| No. 116, Unit 806..... | Office | 124.8 | 79.6 |
| No. 116, Unit 808 | Office | 188.8 | 120.5 |
| No. 116, Unit 903 | Office | 188.8 | 120.5 |
| No. 116, Unit 905 | Office | 191.7 | 122.3 |
| No. 116, Unit 906..... | Office | 124.8 | 79.6 |
| No. 116, Unit 908 | Office | 188.8 | 120.5 |
| No. 116, Unit 1101 | Office | 180.2 | 115.0 |
| No. 116, Unit 1102 | Office | 124.7 | 79.6 |
| No. 116, Unit 1108 | Office | 188.8 | 120.5 |
| No. 116, Unit 1201 | Office | 179.7 | 115.2 |
| No. 116, Unit 1202 | Office | 125.0 | 80.2 |
| No. 116, Unit 1203 | Office | 188.7 | 121.0 |
| No. 116, Unit 1205 | Office | 191.7 | 122.9 |
| No. 116, Unit 1206..... | Office | 125.1 | 80.2 |
| No. 116, Unit 1208 | Office | 188.7 | 121.0 |
| No. 116, Unit 1301 | Office | 179.7 | 115.2 |
| No. 116, Unit 1302 | Office | 125.0 | 80.2 |
| No. 116, Unit 1303 | Office | 188.7 | 121.0 |
| No. 116, Unit 1306..... | Office | 191.7 | 122.9 |
| No. 116, Unit 1305 | Office | 125.1 | 80.2 |
| No. 116, Unit 1308 | Office | 188.7 | 121.0 |
| No. 116, Unit 1401 | Office | 179.7 | 115.2 |
| No. 116, Unit 1402 | Office | 125.0 | 80.2 |
| No. 116, Unit 1403 | Office | 188.7 | 121.0 |

| <u>Level/Unit</u> | <u>Use</u> | <u>Gross Floor Area</u> | <u>Internal Floor Area</u> |
|----------------------------------|------------|-------------------------|----------------------------|
| | | (sq.m.) | (sq.m.) |
| No. 116, Unit 1405 | Office | 191.7 | 122.9 |
| No. 116, Unit 1406 | Office | 125.1 | 80.2 |
| No. 116, Unit 1408 | Office | 188.7 | 121.0 |
| No. 116, Unit 1701 | Office | 999.0 | 637.4 |
| No. 116, Unit 1901 | Office | 180.2 | 115.0 |
| No. 116, Unit 1902 | Office | 124.7 | 79.5 |
| No. 116, Unit 1903 | Office | 188.8 | 120.5 |
| No. 116, Unit 1905 | Office | 191.7 | 122.3 |
| No. 116, Unit 1906 | Office | 124.8 | 79.6 |
| No. 116, Unit 1908 | Office | 188.8 | 120.5 |
| No. 116, Units 2501 & 2601 | Office | 1,586.4 | 1,240.8 |
| No. 116, Unit 2705 | Office | 188.7 | 121.8 |
| No. 116, Unit 2801 | Office | 180.3 | 115.4 |
| No. 116, Unit 3401 | Office | 180.4 | 115.0 |
| No. 116, Units 3501 & 3601 | Office | 1,392.2 | 1,029.3 |
| No. 116, Level 37 | Commercial | 302.2 | 181.0 |

West Tower, Ti Yu Dong Road

| <u>Level/Unit</u> | <u>Use</u> | <u>Gross Floor Area</u> | <u>Internal Floor Area</u> |
|--------------------------|------------|-------------------------|----------------------------|
| | | (sq.m.) | (sq.m.) |
| No. 114, Level 8 | Office | 997.7 | 779.6 |
| No. 114, Level 9 | Office | 997.7 | 779.6 |
| No. 114, Level 10 | Office | 997.7 | 779.6 |
| No. 114, Unit 1101 | Office | 189.3 | 120.5 |
| No. 114, Unit 1102 | Office | 125.0 | 79.5 |
| No. 114, Unit 1103 | Office | 179.7 | 114.4 |
| No. 114, Unit 1105 | Office | 189.3 | 120.5 |
| No. 114, Unit 1106 | Office | 125.0 | 79.6 |
| No. 114, Unit 1108 | Office | 189.3 | 120.5 |
| No. 114, Unit 1201 | Office | 189.0 | 122.0 |
| No. 114, Unit 1202 | Office | 125.7 | 81.1 |
| No. 114, Unit 1203 | Office | 179.4 | 115.8 |
| No. 114, Unit 1205 | Office | 189.0 | 122.0 |
| No. 114, Unit 1206 | Office | 125.7 | 81.1 |
| No. 114, Unit 1208 | Office | 189.0 | 122.0 |
| No. 114, Unit 1301 | Office | 189.0 | 122.0 |
| No. 114, Unit 1302 | Office | 125.7 | 81.1 |
| No. 114, Unit 1303 | Office | 179.4 | 115.8 |
| No. 114, Unit 1305 | Office | 189.0 | 122.0 |
| No. 114, Unit 1306 | Office | 125.7 | 81.1 |
| No. 114, Unit 1308 | Office | 189.0 | 122.0 |
| No. 114, Unit 1401 | Office | 189.0 | 122.0 |
| No. 114, Unit 1402 | Office | 125.7 | 81.1 |
| No. 114, Unit 1403 | Office | 179.4 | 115.8 |

| <u>Level/Unit</u> | <u>Use</u> | <u>Gross Floor Area</u> | <u>Internal Floor Area</u> |
|---------------------------------|------------|-------------------------|----------------------------|
| | | (sq.m.) | (sq.m.) |
| No. 114, Level 15 | Office | 997.7 | 779.6 |
| No. 114, Level 16 | Office | 997.7 | 779.6 |
| No. 114, Level 17 | Office | 997.7 | 779.6 |
| No. 114, Level 18 | Office | 997.7 | 779.6 |
| No. 114, Unit 1902 | Office | 125.9 | 81.6 |
| No. 114, Unit 1903 | Office | 179.3 | 116.2 |
| No. 114, Unit 1905 | Office | 188.8 | 122.4 |
| No. 114, Unit 1906 | Office | 125.9 | 81.6 |
| No. 114, Unit 2401 & 2501 | Office | 1,591.4 | 1,243.6 |
| No. 114, Level 26 | Office | 646.8 | 446.0 |
| No. 114, Level 27 | Office | 335.8 | 180.4 |
| Total | | <u>41,355.2</u> | <u>31,389.6</u> |

5. TENANCY DETAILS

5.1. RENTAL INCOME

According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

| <u>Leased Gross Rentable Area</u> | <u>Monthly Rental Income</u> | <u>Annual Rental Income</u> |
|-----------------------------------|------------------------------|-----------------------------|
| 41,015.76 sq.m..... | RMB5,160,798.00 | RMB61,929,576.00 |

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as finance, insurance, real estate, information technology, telecommunications, manufacturing, engineering, shipping and so on.

5.2. OCCUPANCY RATE

According to the information provided by the Manager, the majority portion of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 99.2% of the Property held by Yuexiu REIT.

5.3. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. The details of the duration lease terms are shown below:

| <u>Lease term greater than (year)</u> | <u>Lease term less than or equal to (year)</u> | <u>By area</u> |
|---------------------------------------|--|----------------|
| 0..... | 1 | 0.4% |
| 1..... | 2 | 19.2% |
| 2..... | 3 | 27.7% |
| 3..... | 4 | 5.2% |
| 4..... | 5 | 31.6% |
| 5..... | 6 | 3.6% |
| 6..... | 7 | 0% |
| 7..... | 8 | 1.9% |
| 8..... | 9 | 0% |
| 9..... | 10 | <u>10.4%</u> |
| | | <u>100.0%</u> |

According to the renewed leases, the details of the lease expiry profile are shown below:

| <u>% of tenancies due to expire in each year by area (%)</u> | <u>By area</u> |
|--|----------------|
| End of 2013..... | 11.5% |
| End of 2014..... | 23.4% |
| End of 2015..... | 29.8% |
| End of 2016..... | 0.5% |
| End of 2017 and thereafter | <u>34.8%</u> |
| | <u>100.0%</u> |

5.4. SUMMARY OF MATERIAL RENTAL REVIEW PROVISIONS

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

5.5. HISTORIC OUTGOINGS

As advised by the Manager, the total property management income covers all the property management expenses.

5.6. PROPERTY MANAGEMENT

A tenancy services agreement and an extension agreement were entered into between the Manager, Moon King Limited (the “Property Company”) and Guangzhou Yicheng Property Management Ltd. (the “Leasing Agent”) on 7 December 2005 and 31 December 2010 for an initial term of three years and further extended to 31 December 2013. Under these two agreements the Leasing Agent, who is also the property manager of Fortune Plaza, is entitled to a remuneration of 4.0% of the gross revenue per annum (“Service Fees”) receivable by the Property Company from the operation of the Property. The Leasing Agent, as the property manager of the building, is entitled to retain 10.0% of any contributions made by the tenants towards the operating expenses of the building.

The Leasing Agent agrees that, for so long as it is the property manager of Fortune Plaza, the Service Fees payable to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement.

As advised by the Manager, the monthly management fees are payable by the tenants to the leasing Agent.

6. VALUATION

6.1. INCOME CAPITALISATION APPROACH

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the “term and reversion” method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully let basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within the same and/or similar retail/wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yields adopted are 7.00% and 7.50% for office and retail portions of the Property respectively; and the reversionary yields are 7.50% and 8.00% for office and retail portions of the Property respectively.

6.2. DISCOUNTED CASH FLOW METHOD

In our valuation, we have adopted various discount rates for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return from comparables of similar types of properties. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for two to three years. Upon expiry of such tenancies, new leases will be granted or renewed on three years terms at the then existing market rentals. No deduction has been made for the expected repair and maintenance costs as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items

| | |
|--|-----------------------------------|
| Discount Rate | 9.00% (Office) and 9.40% (Retail) |
| Growth Rate (10-year Average)..... | 3.00% |
| Vacancy Allowance (10-year Average)..... | 2.00% |

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our discounted cash flow, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items

| | |
|---|-------------------------|
| Service Fees based on the Tenancy | 4.00% of rental income |
| Energy and Utility Expenses | 0.5% of rental income |
| Sundry Expenses | 2.00% of rental income |
| Insurance | RMB5.00/sq.m./month |
| Business Tax and others | 5.50% of rental income |
| Flood Prevention Fee | 0.09% of rental income |
| Urban Real Estate Tax | 12.00% of rental income |
| Stamp Duty | 0.10% of rental income |

6.3. OPINION OF VALUE

We have summarized the valuation results of each approach in the table below:

| <u>Valuation Method</u> | <u>Opinion of Value</u> |
|-------------------------------------|-------------------------|
| Income Capitalization Approach..... | RMB793,000,000 |
| Discounted Cash Flow Method..... | RMB766,000,000 |

Based on our valuation method of income capitalization approach including discounted cash flow method, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation is **RMB780,000,000 (RENMINBI SEVEN HUNDRED AND EIGHTY MILLION ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title being free from all material encumbrances or defects.

For reference purpose, we are of the opinion that the Market Value of Unit 1701 in East Tower of the Property in its existing state as at the Date of Valuation is **RMB18,600,000 (RENMINBI EIGHTEEN MILLION AND SIX HUNDRED THOUSAND ONLY)** assuming it is available for sale in the prevailing market with the benefit of existing tenant and its property title being free from all material encumbrances or defects.

The Market Value of the Property is an average of values derived by income capitalization approach and discounted cash flow method.

Part D — Valuation of various units of held by Yuexiu REIT located in City Development Plaza, Nos. 185, 187 And 189 Ti Yu Xi Road, Tian He District, Guangzhou, Guangdong Province, the PRC (the “Property”)

1. SUMMARY OF THE PROPERTY

According to the information provided by the Manager, 165 Certificates of Building Ownership have been issued in respect of the Property. The details of the Property are summarized as follows:

| | |
|-----------------------------------|--|
| a. Property Description | The Property comprises a regular and level plot on which a 5-storey commercial podium and an office tower from the 6th to 28th storey is erected. The Property comprises a number of units of the building |
| b. Type of land use rights | Granted |
| c. Land use | The land-use of the underlying land of City Development Plaza is described as “Commercial/Residential” |
| d. Land use rights terms | Level 1 to Level 3 40 years from 27 January 1997 Level 6 to Level 11 and Level 16 to Level 28: 50 years from 27 January 1997 |
| e. Registered owner | Full Estates Investment Limited |
| f. Gross floor area | Retail — 11,757.5 sq.m. Office — 30,639.8 sq.m. Total: 42,397.4 sq.m. |
| g. Internal floor area | 30,752.3 sq.m. |
| h. Gross rentable area | 42,397.4 sq.m. |

2. LOCATION AND ENVIRONMENT

2.1. LOCALITY AND LAND-USE

City Development Plaza is situated on the western side of Ti Yu Xi Road in Tian He District, Guangzhou, Guangdong Province, the PRC. The Property is in close proximity to Guangzhou East Train Station and Lin He Xi Zhan Metro Station which is located within about 3 minutes’ walking distance from the Property. Ti Yu Xi Road forms one axis of the square surrounding Tian He Stadium and has become one of the main CBDs in Guangzhou. Tian He District is a rapidly developing area and is the present focus of new Grade A office developments. Located on the eastern side of Guangzhou, majority of major developments in the area are situated around and overlook Tian He Stadium. This district has emerged as the new CBD of Guangzhou within the last few years and its increasing popularity with business community has led to rapid development of commercial buildings around the stadium area, with new developments initially located near central square but gradually expanding outwards from it.

2.2. SURROUNDING DEVELOPMENT AND ENVIRONMENTAL ISSUES

Developments in the area comprise mainly modern high-rise commercial buildings and low-rise retail shopping centres, interspersed with older medium-rise residential buildings. The pedestrian flow along the section of where the Property located is heavy as it is being at the busier side of Tian He Stadium. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding areas. Due to the land registration system in the PRC, we cannot trace any information regarding previous developments erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3. ACCESSIBILITY

General accessibility to the Property is good as public transportation such as taxis, buses and Nos. 1 and 3 Metro Line are available along Ti Yu Xi Road. Bus stops are located within 2 minutes' walking distance from the Property. It is directly accessible from Ti Yu Xi Road which is a major roadway in Guangzhou.

3. PROPERTY DESCRIPTION

City Development Plaza, a 28-storey Grade A commercial building with a 2-storey basement car parks, is located at Nos. 185, 187 and 189 Ti Yu Xi Road, Tian He District, in Guangzhou's prime business area. The building comprises a 5-storey commercial podium and office areas from Level 6 to Level 28. According to the information provided by the Manager, the building has a total gross floor area of approximately 74,049.2 sq.m.. Summary of breakdown floor areas and uses of the Property is as follows:

| <u>Level*</u> | <u>Use</u> | <u>Gross Floor Area</u> (sq.m.) |
|---------------------------|-----------------------------|------------------------------------|
| Basements 1 and 2 | Car park and machinery room | 12,500.6 |
| Level 1 to Level 3 | Commercial | 11,757.5 |
| Level 4 | Restaurant | 4,639.3 |
| Level 5 | Club house | 1,724.5 |
| Level 6 to Level 28 | Office | <u>43,427.3</u> |
| Total | | <u><u>74,049.2</u></u> |

The commercial portion of the Property is situated behind the main entrance lobby serving the office levels, and is divided into separate retail units arranged around an atrium. The ground level of the atrium is used for exhibition purposes.

The site of the building comprises a regular and level plot with its main frontage on Ti Yu Xi Road on which a 5-storey commercial podium with an office tower rising from the 6th to 28th level is built. The building was completed in 1997. The building's facilities include an exclusive club house, restaurants, a conference centre and car parking spaces. The layout and design of the Property is roughly square in shape.

The Property is constructed of reinforced concrete and is decorated with marble or granite wall and floor tiles at the main lobby and with gypsum false ceiling. The specification of the building includes a central air-conditioning system. Main services comprising electricity, water and telecommunications are provided to the building. The office portion of the Property is generally decorated with carpeted floors or homogenous floor tile, wallpaper and false ceilings. The retail podium is served by 2 passenger lifts, 10 escalators and 4 staircases. The office lifts serve all floors. The office portion is served by 6 passenger lifts, 2 service lifts and 2 staircases. The building is maintained in a reasonable condition commensurate with its age.

The building is maintained in a reasonable condition commensurate with its age. Fire safety measures include automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers are installed throughout the building.

4. OWNERSHIP

4.1. PORTION OF INTERESTS HELD BY YUEXIU REIT

Yuexiu REIT holds a portion of the building and the details of the interest as follows:

| <u>Level</u> | <u>Use</u> | <u>Gross Floor Area</u> (sq.m.) |
|---------------------------------|------------|------------------------------------|
| Portion of Level 1* | Commercial | 1,580.2 |
| Portion of Level 1 [#] | Commercial | 1,707.4 |
| The whole of Level 2 | Commercial | 3,977.0 |
| The whole of Level 3 | Commercial | 4,493.0 |
| Portion of Level 6 | Office | 1,487.3 |
| Portion of Level 7 | Office | 818.1 |
| Portion of Level 8 | Office | 922.2 |
| Portion of Level 9 | Office | 795.7 |
| Portion of Level 10 | Office | 1,383.3 |
| The whole of Level 11 | Office | 1,844.3 |
| The whole of Level 16 | Office | 1,844.3 |
| Portion of Level 17 | Office | 1,717.9 |
| Whole of Level 18 and Level 19 | Office | 3,688.7 |
| Portion of Level 20 | Office | 1,613.8 |
| Portion of Level 21 | Office | 1,613.8 |
| Whole of Levels 22 to 28 | Office | <u>12,910.4</u> |
| Total | | <u><u>42,397.4</u></u> |

Note:

* This portion includes management office

Atrium of Level 1 is not a retail unit nor for permanent lease.

5. TENANCY DETAILS

5.1. RENTAL INCOME

According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

| <u>Leased Gross Rentable Area</u> | <u>Monthly Rental Income</u> | <u>Annual Rental Income</u> |
|-----------------------------------|------------------------------|-----------------------------|
| 41,164.8 sq.m. | RMB4,179,882.00 | RMB50,158,584.00 |

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as finance, insurance, real estate, information technology, telecommunications, manufacturing/engineering, shipping and so on.

5.2. OCCUPANCY RATE

According to the information provided by the Manager, the majority of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 97.1% of the Property held by Yuexiu REIT.

5.3. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. The details of the duration lease terms are shown below:

| <u>Lease term greater than (year)</u> | <u>Lease term less than or equal to (year)</u> | <u>By area</u> |
|---------------------------------------|--|----------------|
| 0 | 1 | 0.9% |
| 1 | 2 | 11.1% |
| 2 | 3 | 16.4% |
| 3 | 4 | 8.2% |
| 4 | 5 | 29.9% |
| 5 | 6 | <u>33.5%</u> |
| | | <u>100.0%</u> |

According to the renewed leases, the details of the lease expiry profile are shown below:

| <u>% of tenancies due to expire in each year by area (%)</u> | <u>By area</u> |
|--|----------------|
| End of 2013 | 19.2% |
| End of 2014 | 9.9% |
| End of 2015 | 25.5% |
| End of 2016 | 19.1% |
| End of 2017 and thereafter | <u>26.3%</u> |
| | <u>100.0%</u> |

5.4. SUMMARY OF MATERIAL RENTAL REVIEW PROVISIONS

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

5.5. HISTORIC OUTGOINGS

As advised by the Manager, the total property management income covers all the property management expenses.

5.6. PROPERTY MANAGEMENT

A tenancy services agreement and an extension agreement were entered into between the Manager, Moon King Limited (the “Property Company”) and Guangzhou Yicheng Property Management Ltd. (the “Leasing Agent”) on 7 December 2005 and 31 December 2010 for an initial term of three years and further extended to 31 December 2013. Under these two agreements the Leasing Agent, who is also the property manager of Fortune Plaza, is entitled to a remuneration of 4.0% of the gross revenue per annum (“Service Fees”) receivable by the Property Company from the operation of the Property. The Leasing Agent, as the property manager of the building, is entitled to retain 10.0% of any contributions made by the tenants towards the operating expenses of the building. The Leasing Agent agrees that, for so long as it is the property manager of Fortune Plaza, the Service Fees payable to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement.

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

6. VALUATION

6.1. INCOME CAPITALISATION APPROACH

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the “term and reversion” method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully let basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within the same and/or similar retail/wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yields adopted are 7.50% and 8.00% for office and retail portions of the Property respectively; and the reversionary yields are 8.00% and 8.50% for office and retail portions of the Property respectively.

6.2. DISCOUNTED CASH FLOW METHOD

In our valuation, we have adopted various discount rates for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return from comparables of similar types of properties. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for two to three years. Upon expiry of such tenancies, new leases will be granted or renewed on three years terms at the then existing market rentals. No deduction has been made for the expected repair and maintenance costs as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items

| | |
|--|-----------------------------------|
| Discount Rate | 9.40% (Office) and 9.80% (Retail) |
| Growth Rate (10-year Average)..... | 3.00% |
| Vacancy Allowance (10-year Average)..... | 2.00% |

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our discounted cash flow, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items

| | |
|---|-------------------------|
| Service Fees based on the Tenancy | 4.00% of rental income |
| Energy and Utility Expenses | 2.00% of rental income |
| Sundry Expenses | 2.00% of rental income |
| Insurance | RMB5.0/sq.m./month |
| Business Tax and others | 5.50% of rental income |
| Flood Prevention Fee | 0.09% of rental income |
| Urban Real Estate Tax | 12.00% of rental income |
| Stamp Duty | 0.10% of rental income |

6.3. OPINION OF VALUE

We have summarized the valuation results of each approach in the table below:

| Valuation Method | Opinion of Value |
|--------------------------------------|-------------------------|
| Income Capitalization Approach | RMB646,000,000 |
| Discounted Cash Flow Method..... | RMB650,000,000 |

Based on our valuation method of income capitalization approach including discounted cash flow method, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation is RMB648,000,000 (RENMINBI SIX HUNDRED AND FORTY-EIGHT MILLION ONLY) assuming it is available for sale in the market with the benefit of existing tenants and its property title being free from all material encumbrances or defects.

The Market Value of the Property is an average of values derived by income capitalization approach and discounted cash flow method.

Part E — Valuation of various units held by Yuexiu REIT located in Victory Plaza, No. 101 Ti Yu West Road, Tian He District, Guangzhou, Guangdong Province, the PRC (the “Property”)

1. SUMMARY OF THE PROPERTY

According to the information provided by the Manager, 9 Certificates of Building Ownership have been issued in respect of the Property. The details of the Property are summarized as follows:

| | |
|-----------------------------------|---|
| a. Property Description | Victory Plaza commercial retail centre with a 4-level basement together with 2 blocks of high-rise office building. The Property comprises a number of units of the development |
| b. Type of land use rights | Granted |
| c. Land use | The land-use of the underlying land of Victory Plaza is described as “Commercial/Tourism” |
| d. Land use rights terms | 40 years from 8 March 2004 |
| e. Registered owner | Keen Ocean Limited |
| f. Gross floor area | 27,698.1 sq.m. |
| g. Internal floor area | 22,847.9 sq.m. |
| h. Gross rentable area | 27,262.3 sq.m. |

2. LOCATION AND ENVIRONMENT

2.1. LOCALITY AND LAND-USE

Victory Plaza, is located at No. 101 Ti Yu Xi Road, Tian He District, Guangzhou, Guangdong Province, the PRC. The Property features a 6-storey glass atrium over its entrance and a paved pedestrian mall in front of the building. There are two office towers of 52 and 36 storeys in height respectively constructed on top of the retail centre. It is located at the junction of Tian He Road and Ti Yu Xi Road and the intersection of Nos. 1 and 3 Metro Line. It is in close proximity to Guangzhou Book Centre and Teem Plaza. Ti Yu Xi Road forms one axis of the square surrounding Tian He Stadium and has become one of the main CBDs in Guangzhou.

2.2. SURROUNDING DEVELOPMENT AND ENVIRONMENTAL ISSUES

The Property is located in Tian He District. Developments in the area comprise mainly modern high-rise commercial buildings and low-rise retail shopping centres, interspersed with older medium-rise residential buildings. The pedestrian traffic flow along that section of Ti Yu Xi Road is moderate. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding sites. Due to the land registration system in the PRC, we cannot trace any information regarding previous developments erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3. ACCESSIBILITY

General accessibility to the Property is good as public transportation such as taxis and buses are available along Ti Yu Xi Road. Bus stops are located within a 2 minutes’ walking distance from the Property. It is located within about 3 minutes’ walking distance from Ti Yu Xi Road Station of the No. 1 Metro Line. Nos. 1 and 3 Metro Line have direct underground access to Basement 1 of the Property.

3. PROPERTY DESCRIPTION

Victory Plaza is located at No. 101 Ti Yu Xi Road, Tian He District, in Guangzhou's prime business area. According to the information provided by the Manager, the development has a total gross floor area of approximately 52,568.6 sq.m. Summary of breakdown floor areas of the Property is as follows:

| Level* | Use | Gross Floor Area (sq.m.) |
|-------------------------|-------------------------------------|-----------------------------|
| Basements 1 and 2 | Car park | 24,870.5 |
| Basement 1 | Commercial | 1,809.2 |
| Level 1 | Commercial (including Refuge Floor) | 3,033.5 |
| Level 2 | Commercial | 3,968.9 |
| Level 3 | Commercial | 4,756.7 |
| Level 4 | Commercial | 4,756.7 |
| Level 5 | Commercial | 4,769.9 |
| Level 6 | Commercial | <u>4,603.2</u> |
| Total | | <u><u>52,568.6</u></u> |

The site area of the Property is approximately 10,477.0 sq.m.. The site of the shopping centre comprises a regular and level plot with its main frontage abutting Ti Yu Xi Road on which a 6-storey commercial retail centre with a 4-level of basement is erected. The Property was completed in 2003. The main entrance of Victory Plaza abuts Ti Yu Xi Road. The layout and design of Victory Plaza is reasonable in comparison with the other shopping centres of similar scale and grade in the locality.

The Property is constructed of reinforced concrete structures. The common parts from Level 1 to Level 4 are finished with granite homogenous floor and wall tiles; and granite floor, tiles and plastic or painted and wallpapered walls on Level 5 to Level 6. Main services comprising electricity, water and telecommunications are provided to the building. The building is subdivided into various units on all levels and is served by 4 passenger lifts, 20 escalators serving from Basement to Level 6.

The standard of services and finishes within the Property is considered to be reasonable and commensurate to other shopping centers in the neighborhood. It is maintained in a reasonable condition commensurate with its age. Fire safety measures include automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers are installed throughout the building.

4. OWNERSHIP

4.1. PORTION OF INTERESTS HELD BY YUEXIU REIT

Yuexiu REIT holds a portion of the development and the details of the interest are listed below:

| Level/Unit | Use | Gross Floor Area (sq.m.) | Internal Floor Area (sq.m.) |
|-----------------------------|------------------------------|-----------------------------|--------------------------------|
| Portion of Basement 1 | Commercial | 1,809.2 | 1,503.6 |
| Level 1 (101) | Commercial | 473.7 | 442.3 |
| Level 1 (102) | Commercial | 1,553.5 | 1,451.0 |
| Level 1 | Commercial (Refuge Floor) | 1,006.3 | 978.2 |
| Level 2 | Commercial | 3,968.9 | 3,058.1 |
| Level 3 | Commercial | 4,756.7 | 3,833.0 |
| Level 4 | Commercial | 4,756.7 | 3,833.0 |
| Level 5 | Commercial | 4,769.9 | 3,875.8 |
| Level 6 | Commercial | <u>4,603.2</u> | <u>3,872.9</u> |
| Total | | <u><u>27,698.1</u></u> | <u><u>22,847.9</u></u> |

5. TENANCY DETAILS

5.1. RENTAL INCOME

According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

| <u>Leased Gross Rentable Area</u> | <u>Monthly Rental Income</u> | <u>Annual Rental Income</u> |
|-----------------------------------|------------------------------|-----------------------------|
| 26,136.46 sq.m..... | RMB4,603,524.00 | RMB55,242,288.00 |

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as finance, insurance, real estate, information technology, telecommunications, manufacturing/engineering, shipping and so on.

5.2. OCCUPANCY RATE

According to the information provided by the Manager, the majority portion of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 95.9% of the Property held by Yuexiu REIT.

5.3. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. The details of the duration lease terms are shown below:

| <u>Lease term greater than (year)</u> | <u>Lease term less than or equal to (year)</u> | <u>By area</u> |
|---------------------------------------|--|----------------|
| 0..... | 1 | 6.2% |
| 1..... | 2 | 63.3% |
| 2..... | 3 | 1.4% |
| 3..... | 4 | 2.8% |
| 4..... | 5 | 7.1% |
| 5..... | 6 | 0% |
| 6..... | 7 | 7.6% |
| 7..... | 8 | 0% |
| 8..... | 9 | 11.6% |
| 9..... | 10 | 0% |
| Above 10..... | | 0% |
| | | <u>100.0%</u> |

According to the renewed leases, the details of the lease expiry profile are shown below:

| <u>% of tenancies due to expire in each year by area (%)</u> | <u>By area</u> |
|--|----------------|
| End of 2013..... | 6.2% |
| End of 2014..... | 63.3% |
| End of 2015..... | 1.4% |
| End of 2016..... | 2.8% |
| End of 2017 and thereafter..... | <u>26.3%</u> |
| | <u>100.0%</u> |

5.4. SUMMARY OF MATERIAL RENTAL REVIEW PROVISIONS

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

5.5. HISTORIC OUTGOINGS

As advised by the Manager, the total property management income covers all the property management expenses.

5.6. PROPERTY MANAGEMENT

A tenancy services agreement and an extension agreement were entered into between the Manager, Keen Ocean Limited (the “Property Company”) and Guangzhou Yicheng Property Management Co., Ltd. (the “Leasing Agent”) on 7 December 2005 and 31 December 2011 for an initial term of three years and further extended to 31 December 2013. Under these two agreements the Leasing Agent, who is also the property manager of Victory Plaza, is entitled to a remuneration of 4.0% per annum of the gross revenue (“Service Fees”) receivable by the Property Company from the operation of the Property. The Leasing Agent, as the property manager of the development, is entitled to retain 10.0% of any contributions made by the tenants towards the operating expenses of the development. The Leasing Agent agrees that, for so long as it is the property manager of Victory Plaza, the Service Fees paid to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement.

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

6. VALUATION

6.1. INCOME CAPITALISATION APPROACH

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the “term and reversion” method. This approach estimates the value of the Property on a market value basis by capitalizing net rental income on a fully let basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within the same and/or similar retail/wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yield adopted is 7.5%; and the reversionary yield is 8.0%.

6.2. DISCOUNTED CASH FLOW METHOD

In our valuation, we have adopted a discount rate of 9.4% for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return from comparables of similar types of properties. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for two to three years. Upon expiry of such tenancies, new leases will be granted or renewed on three years terms at the then existing market rentals. No deduction has been made for the expected repair and maintenance costs

as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items

| | |
|---|-------|
| Discount Rate | 9.40% |
| Growth Rate (10-year Average) | 3.00% |
| Vacancy Allowance (10-year Average) | 2.00% |

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our discounted cash flow, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items

| | |
|---|-------------------------|
| Service Fees based on the Tenancy | 4.00% of rental income |
| Energy and Utility Expenses | 0.5% of rental income |
| Sundry Expenses | 1.00% of rental income |
| Insurance | RMB3.50/sq.m./month |
| Business Tax and others | 5.50% of rental income |
| Flood Prevention Fee | 0.09% of rental income |
| Urban Real Estate Tax | 12.00% of rental income |
| Stamp Duty | 0.10% of rental income |

6.3. OPINION OF VALUE

We have summarized the valuation results of each approach in the table below:

| <u>Valuation Method</u> | <u>Opinion of Value</u> |
|--------------------------------------|-------------------------|
| Income Capitalization Approach | RMB801,000,000 |
| Discounted Cash Flow Method | RMB763,000,000 |

Based on our valuation method of income capitalization approach including discounted cash flow method, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation is **RMB782,000,000 (RENMINBI SEVEN HUNDRED AND EIGHTY-TWO MILLION ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title being free from all material encumbrances or defects.

The Market Value of the Property is an average of values derived by income capitalization approach and discounted cash flow method.

Part F — Valuation of various units held by Yuexiu REIT located in Yue Xiu Neo Metropolis Plaza located at Nos. 232, 234, 236, 238, 240, 242, 244, 246, 248, 250, 252, 254, 256 and 258 Zhongshanliu Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC (the “Property”)

1. SUMMARY OF THE PROPERTY

According to the information provided by the Manager, 242 Certificates of Building Ownership have been issued in respect of the Property. The details of the Property are summarized as follows:

- | | |
|-----------------------------------|--|
| a. Property Description | A regular L-shaped and level plot upon which comprises a 26-storey commercial building (including a 3-level of basement) is erected. The Property comprises a number of units of the building |
| b. Type of land use rights | Granted |
| c. Land use | The land-use of the underlying land of Yue Xiu Neo Metropolis Plaza is described as “Commercial and Office” |
| d. Land use rights terms | Commercial Portion 40 years from 22 November 2005 Office Portion 50 years from 22 November 2005 Car park Portion 50 years from 22 November 2005 |
| e. Registered owner | Guangzhou Jieyacheng Properties Company Limited |
| f. Gross floor area | Commercial Portion (Basement 1 to Level 4) 15,445.5 sq.m. Office Portion (Level 5 to Level 23 excluding Level 6) 34,441.8 sq.m. Car Parking Spaces (Basement 2 to Basement 3) 7,549.0 sq.m. Others (including Common Facilities Areas and Club house on Level 6) 4,528.0 sq.m. Total: 61,964.3 sq.m. |
| g. Gross rentable area | 49,887.3 sq.m. |

2. LOCATION AND ENVIRONMENT

2.1. LOCALITY AND LAND-USE

Yue Xiu Neo Metropolis Plaza is located in Zhongshanliu Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC. It is directly linked to Ximenkou Metro Station. Yue Xiu District is one of the oldest urban areas in Guangzhou where provincial and municipal governments are located and is a traditional shopping centre of Guangzhou where the commerce is very prosperous. The well-known commercial and shopping areas include Beijing Road Pedestrian Street, Yide Road Dried Seafood Market, Toy Street, White Horse Building, Zhuangyuanfang Stationary Street, Bar Street along Yanjiang Road, Gaudi Street Clothing Business Street, Street Market of Printing Ink and Presswork Products in Tiancheng Road, Decoration Market Street in Taikang Road, Lamp and Flower Market Street, Jiefang Road Electronic products Market Street, Haopan Street — Leather and Shoes Material Business Street and Huifu Road Food Street. All these have attracted the attention of numerous tourists and commercial investors.

2.2. SURROUNDING DEVELOPMENT AND ENVIRONMENTAL ISSUES

The Property is located in Yue Xiu District. Developments in the area comprise mainly a mixture of old and new mid-rise commercial buildings and residential developments, interspersed with older low to medium-rise residential buildings. The pedestrian traffic flow along that section of Zhongshanliu Road is heavy as it is located near the junction of Renmenzhong Road. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding sites.

Due to the land registration system in the PRC, we cannot trace any information regarding to the previous development erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3. ACCESSIBILITY

General accessibility to the Property is good as public transportation such as taxis and buses are available along Zhongshanliu Road and Reminzhong Road. Ximenkou Exit of Metro Station is directly connected to Basement 1 of the Property. It is located within approximately 20 minutes' driving distance from Guangzhou East Train Station.

3. PROPERTY DESCRIPTION

Yue Xiu Neo Metropolis Plaza, a Grade B commercial complex, is located at Zhongshanliu Road, Yue Xiu District in Guangzhou's traditional urban shopping area. According to the information provided by the Manager, the development has a total gross floor area of approximately 85,750.76 sq.m.. It is a 26-storey commercial building (including a 3-level of basement) and was completed in 2005. The main entrance of the Property is onto the junction of Zhongshanliu Road and Remin Road North. Car parking facilities are provided within a 2-level basement whilst a podium garden, club, business centre and other ancillary facilities are located on Level 6 and Refuge Level. The layout and design of Yue Xiu Neo Metropolis Plaza is reasonable in comparison with other office buildings in the locality.

The Property is constructed of reinforced concrete with glazed tiling to the exterior elevations and is decorated with marble or granite wall and tiled floor at the main lobby. Main services comprising electricity, water and telecommunications are connected to the building. The building is subdivided into various units on all levels and is served by seven passenger lifts serving all levels. The standard of services and finishes within the development is considered to be reasonable and commensurate to other office buildings in the neighborhood. It is maintained in a reasonable condition commensurate to its age. Fire safety measures include automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers are installed throughout the building.

4. OWNERSHIP

4.1. PORTION OF INTERESTS HELD BY YUEXIU REIT

Yuexiu REIT holds a portion of the building and the details of the interest are listed below:

| <u>Level</u> | <u>Use</u> | <u>Gross Floor Area</u> (sq.m.) |
|-----------------------------|--|------------------------------------|
| Basements 2 and 3 | Car park* | 7,549.0 |
| Basements 1 and 2 | Common facilities | 999.4 |
| Basement 1 to Level 4 | Commercial/Retail | 15,445.5 |
| Levels 5, 7 to 23 | Office | 34,441.8 |
| Levels 1 to 6 | Club house, common facilities and others | <u>3,528.7</u> |
| Total | | <u><u>61,964.4</u></u> |

* The total floor area of the car parking spaces is approximately 7,621.0 sq.m. including approximately 72.0 sq.m. to be distributed to the predecessor of the Domestic JV Partner

5. TENANCY DETAILS

5.1. RENTAL INCOME

According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

| <u>Leased Gross Rentable Area</u> | <u>Monthly Rental Income</u> | <u>Annual Rental Income</u> |
|-----------------------------------|------------------------------|-----------------------------|
| 49,314.8 sq.m. | RMB4,854,414.00 | RMB58,252,968.00 |

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as finance, insurance, real estate, information technology, telecommunications, manufacturing/ engineering, shipping and so on.

5.2. OCCUPANCY RATE

According to the information provided by the Manager, the majority portion of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 98.9% of the Property held by Yuexiu REIT.

5.3. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. The details of the duration lease terms are shown below:

| <u>Lease term greater than (year)</u> | <u>Lease term less than or equal to (year)</u> | <u>By area</u> |
|---------------------------------------|--|----------------|
| 0 | 1 | 2.4% |
| 1 | 2 | 25.0% |
| 2 | 3 | 29.0% |
| 3 | 4 | 6.2% |
| 4 | 5 | 5.3% |
| 5 | 6 | 8.4% |
| 6 | 7 | 5.3% |
| 7 | 8 | 1.6% |
| 8 | 9 | 0% |
| 9 | 10 | 16.8% |
| Total | | <u>100%</u> |

According to the renewed leases, the details of the lease expiry profile are shown below:

| <u>% of tenancies due to expire in each year by area (%)</u> | <u>By area</u> |
|--|----------------|
| End of 2013 | 40.8% |
| End of 2014 | 18.5% |
| End of 2015 | 20.1% |
| End of 2016 | 19.7% |
| End of 2017 and thereafter | 0.9% |
| | <u>100.0%</u> |

5.4. SUMMARY OF MATERIAL RENTAL REVIEW PROVISIONS

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

5.5. HISTORIC OUTGOINGS

As advised by the Manager, the total property management income covers all the property management expenses.

5.6. PROPERTY MANAGEMENT

A tenancy services agreement and an extension agreement were entered into between the Manager, Guangzhou Jieyacheng Properties Co. Ltd. (the “Property Company”) and Guangzhou Yicheng Property Management Limited (the “Leasing Agent”) on 7 December 2005 and 31 December 2010 for an initial term of three years and further extended to 31 December 2013. Under these two agreements the Leasing Agent is entitled to a remuneration of 4.0% of the gross revenue (“Service Fees”) receivable by the Property Company from the operation of the Property.

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

6. VALUATION

6.1. INCOME CAPITALISATION APPROACH

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the “term and reversion” method. This approach estimates the value of the Property on a market value basis by capitalizing net rental income on a fully let basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within the same and/or similar retail/wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yields adopted are 7.50% and 6.50% for office and retail portions of the Property respectively; and the reversionary yields 8.00% and 7.00% for office and retail portions of the Property respectively.

6.2. DISCOUNTED CASH FLOW METHOD

In our valuation, we have adopted various discount rates for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return from comparables of similar types of properties. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for two to three years. Upon expiry of such tenancies, new leases will be granted or renewed on three years terms at the then existing market rentals. No deduction has been made for the expected repair and maintenance costs

as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items

| | |
|---|-----------------------------------|
| Discount Rate | 9.5% (Office) and 9.00% (Retail) |
| Growth Rate (10-year Average) | 3.00% |
| Vacancy Allowance (10-year Average) | 1.00% (Office) and 1.00% (Retail) |

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our discounted cash flow, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items

| | |
|---|-------------------------|
| Service Fees based on the Tenancy | 4.00% of rental income |
| Energy and Utility Expenses | 0.5% of rental income |
| Sundry Expenses | 1.00% of rental income |
| Insurance | RMB3.50/sq.m./month |
| Business Tax and others | 5.50% of rental income |
| Flood Prevention Fee | 0.09% of rental income |
| Urban Real Estate Tax | 12.00% of rental income |
| Stamp Duty | 0.10% of rental income |

6.3. OPINION OF VALUE

We have summarized the valuation results of each approach in the table below:

| <u>Valuation Method</u> | <u>Opinion of Value</u> |
|-------------------------------------|-------------------------|
| Income Capitalization Approach..... | RMB751,000,000 |
| Discounted Cash Flow Method..... | RMB748,000,000 |

Based on our valuation method of income capitalization approach including discounted cash flow method, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation is **RMB749,000,000 (RENMINBI SEVEN HUNDRED AND FORTY-NINE MILLION ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title being free from all material encumbrances or defects.

The Market Value of the Property is an average of values derived by income capitalization approach and discounted cash flow method.