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18 April, 2006

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

HSBC Institutional Trust Services (Asia) Limited ("Trustee")
1 Queen's Road Central
Central, Hong Kong

Dear Sirs,

Re: Valuations of various units of the properties (the "Subject Properties") held by GZI Real Estate Investment Trust ("GZI REIT") located in White Horse Building, Fortune Plaza, City Development Plaza and Victory Plaza, Guangzhou, Guangdong Province, The People's Republic of China (the "PRC")

With reference to the instruction of the Manager on behalf of GZI REIT, we have prepared a report setting out our opinion of the value of the Subject Properties for annual accounting purposes.

We confirm that our valuation report is prepared on a fair and unbiased basis and we have carried out external and internal inspections, made relevant enquiries and obtained such further information as we consider necessary to allow us to provide you with our opinion of values of the Subject Properties as at 31 December, 2005 (the "Date of Valuation").

The summary of market values of the Subject Properties is as follows:

1.	White Horse Building	HK$2,574,000,000
2.	Forture Plaza	HK$554,800,000
3.	City Development Plaza	HK$392,000,000
4.	Victory Plaza	HK$533,000,000
		HK$4,053,800,000

This report is for the use of the above addressee and for the purposes indicated and no liability to any third party can be accepted for the whole or any part of the contents of the document. Neither the whole nor any part of this valuation report nor any reference thereto may be included in any other published documents, circular or statement, nor published in any way whatsoever without prior written approval of Colliers International (Hong Kong) Limited as to the form and context in which it may appear.

We hereby confirm that: -

i) We have no present or prospective interest in the Subject Properties and are not a related corporation of nor have a relationship with the Manager, the Trustee or any other party or parties whom GZI REIT is contracting with;

ii) We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of properties;

iii) The valuations have been prepared on fair and unbiased basis; and

iv) The valuer is acting as an Independent Valuer as defined in the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors ("HKIS").

We hereby certify that the valuer undertaking these valuations is authorised to practice as valuer.

The valuation report is enclosed herewith.

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Limited
David Faulkner
BSc (Hons) FRICS FHKIS RPS (GP) MAE
Regional Director
Valuation and Advisory

Note: David Faulkner is a Chartered Surveyor who has 17 years experience in the valuation of properties in the PRC and 21 years of property valuation experience in Hong Kong and the Asia Pacific region.

1. EXECUTIVE SUMMARY

1.1 Qualification of the Valuers

The valuations have been prepared by David Faulkner who is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region ("Hong Kong").

He is suitably qualified to carry out the valuation and has over 25 years experience in the valuation of properties of this magnitude and nature, and over 17 years experience in the PRC.

We have no pecuniary interest that could reasonably be regarded as being capable of affecting our ability to give a fair and an unbiased opinion of the values or that could conflict with a proper valuation of the Subject Properties.

1.2 Information Sources

All investigations have been conducted independently and without influence from any third parties in any way. The information provided in this report has been obtained from the Manager, relevant bureaux, the Guangzhou Municipal People's Government and other public sources.

1.3 Instructions

We accepted instructions to conduct valuations of the Subject Properties as at the Date of Valuation from the Manager on behalf of GZI REIT for the annual accounting purposes.

Our valuations have been carried out in accordance with Chapter 6 of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission ("SFC") in August 2003 and amended in June 2005 and the HKIS Valuation Standards on Properties (First Edition 2005) published by the HKIS. We have also made reference to the International Valuation Standards (7th Edition) published by the International Valuation Standards Committee in 2005.

Inspections of the Subject Properties were carried out in March 2006. We confirm that we have made relevant enquiries and obtained such information as we consider necessary to conduct the valuations.

2. BASIS OF VALUATION

Market Value

The valuations have been carried out in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the HKIS.

Our valuations are made on the basis of Market Value which we would define as intended to mean "the estimated amount for which a property should exchange on the dates of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the Subject Properties in their existing state based on the assumption that the Subject Properties can be freely transferred, mortgaged and let in the market and all proper title certificates have been obtained and land premiums have been fully settled.

3. VALUATION RATIONALE

In our valuations, we have valued the Subject Properties for which the areas are based on the proper title documents. In arriving at our opinion of values, we have considered prevailing market conditions, especially those related to the office, wholesale and retail property market sectors. We have also looked at lease reversionary potential such as future rent renewal rate, lease cycle duration and lease expiry profile. The valuation method adopted to arrive at our opinion of value is the Income Capitalisation Approach including Discounted Cash Flow Analysis.

The Income Capitalisation Approach reflects the specific characteristics of the Subject Properties such as lease expiry profile, existing tenant covenants and level of passing and reversionary rents. We therefore consider that this method is particularly relevant for REIT based purchasers.

The Discounted Cash Flow Analysis reflects additional property specific characteristics of the Subject Properties such as leases duration and potential rental income growth, renewed rates, vacancy rates and all outgoings.

In valuing the Subject Properties, we have used an average of the values derived using the Income Capitalisation Approach and the Discounted Cash Flow Analysis.

3.1 Income Capitalisation Approach

Income Capitalisation Approach estimates the values of the properties on an open market basis by capitalising net rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the 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 total rental income is divided into a current passing rental income over the existing lease term (the term income) and a potential future reversionary rental income over the residual land use term (the reversionary income). The term value involves the capitalisation of the current passing rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease over the residual land use rights term and is capitalised on a fully leased basis. It is then discounted back to the date of valuation.

In this approach, we have considered the term yield and reversionary yield. The term yield is used for capitalisation of the current passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income.

3. VALUATION RATIONALE *(Continued)*

3.2 Discounted Cash Flow Analysis

This is defined in the International Valuation Standards (7th Edition) as a financial modeling technique based on explicit assumptions regarding the prospective cash flow to properties. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the properties. In the operating real properties, periodic cash flow is typically estimated as gross income less vacancy and operating expenses and other outgoings. The series of periodic net operating incomes, along with an estimate of the terminal value, anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value.

We have undertaken a discounted cash flow analysis on a monthly basis over a 10-year investment horizon. The net income in the Year 11 is capitalised at an appropriate yield for the remainder of the ownership term. This analysis allows an investor or owner to make an assessment of the long term return that is likely to be derived from a property with a combination of both rental income and capital growth over an assumed investment horizon. This analysis is generally used in valuing income producing properties.

In our assessment, we have assumed the Subject Properties are sold at the end of year 10 at a price based upon the forecast year 11 income, and capitalised by the terminal capitalisation rate for the remaining property lease term. The analysis is based on the assumption of a cash purchase. No allowance for interest and other funding costs have been incurred.

4. TITLE PARTICULARS

We have been provided with extracts from title documents relating to the Subject Properties. We have not, however, searched the original documents to verify ownership or to verify the existence of any lease amendments which do not appear on the copies handed to us. We have relied on the Manager, concerning the validity of the titles to the Subject Properties.

5. EXCHANGE RATE

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars. The exchange rate used in valuing the Subject Properties as at the Date of Valuation was HK$1 = RMB1.04. There has been no significant fluctuation in exchange rate between the Date of Valuation and the date of this letter.

6. CAVEATS AND ASSUMPTION

The valuations are subject to the following caveats and assumptions.

(a) We have inspected the exterior and interior of the Subject Properties. No tests were carried out on any of the services.

(b) We have assumed that the Subject Properties are free from and clear of any and all charges, liens and encumbrances of an onerous nature likely to affect their values, whether existing or otherwise, unless otherwise stated. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title which is assumed to be good and marketable. We are not aware of any easements or rights of way affecting the Subject Properties and our valuation assumes that none exists.

(c) We have assumed that the Subject Properties have been constructed, occupied and used in full compliance with, and without contravention of, all ordinances, 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 licences, permits, certificates, and authorisations have been obtained, except only where otherwise stated.

(d) Our valuations have been made on the assumption that the owners sell the Subject Properties on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of Subject Properties. In addition, no forced sale situation in any manner is assumed in our valuations.

(e) No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Subject Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Subject Properties are free from encumbrances including material building defects, restrictions and outgoings of an onerous nature which could affect their values.

(f) We have relied to a very considerable extent on the property information, including rent roll, floor plans, property particulars, etc. by the Manager.

(g) We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of the Subject Properties but have assumed that the site and floor areas shown on the documents and official site plans handed to us are correct. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

(h) We have had no reason to doubt the truth and accuracy of the information provided to us by the Manager. We have sought confirmation from the Manager that no material factors have been omitted from the information supplied. We take no responsibility for inaccurate data provided by the Manager and subsequent conclusions derived from such data and information.

(i) The study of possible alternative development options and the related economics are not within the scope of this report.

Part A - White Horse Building

Valuation of various units of the property (the "Subject Property") held by GZI REIT located in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC.

1. SUMMARY OF THE SUBJECT PROPERTY

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

1.	Current Registered Owner	:	Partat Investment Limited
2.	Type of Land Use Right	:	Granted
3.	Town Plan Zoning	:	According to the State-owned Land Use Right Grant Contract dated 28 June, 2005, the zoning of the underlying land of White Horse Building is described as "commercial/office".
4.	Interest Valued	:	Leasehold interest of the Subject Property.
5.	Property Description	:	The Subject Property forms a portion of a 10-storey wholesale garment shopping centre, including eight levels above ground, a lower ground level and a basement accommodating a car park.
6.	Gross Floor Area ("GFA") of the Subject Property	:	Total - 50,199.3 sq.m. Retail - 46,279.3 sq.m. Office - 3,920.0 sq.m. Lower Ground Level - 1,121.7 sq.m. Level 1 - 7,667.0 sq.m. Level 2 - 7,199.8 sq.m. Level 3 - 7,684.9 sq.m. Level 4 - 7,695.6 sq.m. Level 5 - 7,466.4 sq.m. Level 6 - 7,443.9 sq.m. Level 7 - 2,003.5 sq.m. Level 8 - 1,916.5 sq.m. Levels 1, 2, 3, 4, 5, 6, 7, 8 correspond to 2nd, 3rd, 4th, 5th, 6th, 7th, 8th and 9th storeys in White Horse Building respectively.
7.	Lease Term	:	Lower Ground Level - 50 years from 7 June, 2005 Level 1 - 40 years from 7 June, 2005 Level 2 - 40 years from 7 June, 2005 Level 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 Level 5 - 50 years from 7 June, 2005 Level 6 - 50 years from 7 June, 2005 Level 7 - 50 years from 7 June, 2005 Level 8 - 50 years from 7 June, 2005

1. SUMMARY OF THE SUBJECT PROPERTY (Continued)

8.	Usage	:	Lower Ground Level - Storage Level 1 - Commercial Level 2 - Commercial Level 3 - Commercial Level 4 - Commercial/Office Level 5 - Office Level 6 - Office Level 7 - Office Level 8 - Office
9.	Internal Floor Area of the Subject Property	:	48,100.6 sq.m.
10.	Gross Rentable Area of the Subject Property	:	49,007.2 sq.m.
11.	Construction Completion Date of White Horse Building	:	1990 with extension and renovation thereafter between 1995 and 1997 as well as between 1998 and 2000
12.	Market Value in existing state as at the Date of Valuation	:	HK$2,574,000,000
13.	Net Passing Income as at the Date of Valuation	:	RMB117,055,044 per annum
14.	Estimated Market Rental Income as at the Date of Valuation	:	RMB254,124,912 per annum
15.	Discount Rate adopted for Discounted Cash Flow Analysis only	:	11%
16.	Term Yield	:	8%
17.	Reversionary Yield	:	9.5%
18.	Occupancy Rate as at the Date of Valuation	:	100%
19.	Vacancy Allowance	:	1%

2. TITLE INVESTIGATION

There is a Gongan Building erected on the south side of White Horse Building with a gross floor area of 2,700 sq.m. There was an agreement signed on 7 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 the Gongan Building. Guangzhou City Gongan Bureau was responsible for paying the construction cost as well as land premium of RMB950,000 to Guangzhou City Construction & Development Group. Guangzhou City Gongan Bureau could use the Gongan Building for the residual land use rights term. As advised by the Manager, we understand that the owner of the Subject Property does not have the right to use and the title ownership of Gongan Building but this will not affect Partat Investment Limited's title to the Subject Property.

3. THE SUBJECT PROPERTY

3.1 Situation, Locality and Zoning

White Horse Building, a 10-storey commercial wholesale centre for garment, including eight levels above ground, a lower ground level and a basement accommodating a car park, is located at No. 14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC. It is close to the Guangzhou Railway station and bus terminal.

The Subject Property is located in Yue Xiu District and its accessibility is considered to be good. The main garment wholesale area of Guangzhou is situated around Zhan Nan Road, Yue Xiu 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 28 June, 2005, the zoning of the underlying land of White Horse Building is described as "commercial/office".

3.2 Surrounding Development and Environmental Issues

The Subject Property is located in Yue Xiu District. Developments in the area comprise mainly commercial buildings and retail shopping and wholesale centres, interspersed with some older medium-rise residential buildings.

The pedestrian traffic 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 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.

3.3 Availability of and Access to Public Transport

General accessibility of White Horse Building is considered good as public transportation such as taxis and buses are available along Zhan Nan Road. Bus stops are located at 2 minutes walking distance from White Horse Building.

3. THE SUBJECT PROPERTY (Continued)

3.4 Car Accessibility and Road Frontage

White Horse Building is directly accessible from Zhan Nan Road. A pedestrian footbridge adjacent to the Subject Property allows access to the Guangzhou Railway Station. The Guangzhou Railway Station is also connected to No. 2 metro line.

3.5 Description of the Development

White Horse Building, a 10-storey commercial wholesale centre for garment, including eight levels above ground, a lower ground level and a basement accommodating a car park, is located at No. 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 development has a total gross floor area of 61,703.0 sq.m.

The area breakdown of White Horse Building is summarized as below:

Level	**Usage**	**Gross Floor Area** *(sq.m.)*
Basement 1	Carpark, Machinery Room	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/office	7,695.6
Level 5	Office	7,466.4
Level 6	Office	7,443.9
Level 7	Office	2,003.5
Level 8	Office	1,916.5
	Total:	61,703.0

The site of the wholesale centre comprises a regular and level plot having its main frontage onto Zhan Nan Road. White Horse Building was first completed in about 1990 and then extended into two separate phases in between 1995 and 1997 as well as between 1998 and 2000.

General accessibility of White Horse Building is considered good as public transportation such as buses and taxis are available along Zhan Nan Road.

Car parking facilities are accommodated within basement level 1.

The layout and design of White Horse Building is reasonable in comparison with other wholesale centres in the locality.

3. THE SUBJECT PROPERTY (Continued)

3.6 Portion of Interest Held by GZI REIT

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

Level	Usage	Gross Floor Area *(sq.m.)*	Internal Floor Area *(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/office	7,695.6	7,370.0
Level 5	Office	7,466.4	7,149.2
Level 6	Office	7,443.9	7,127.5
Level 7	Office	2,003.5	1,931.0
Level 8	Office	1,916.5	1,847.2
	Total:	50,199.3	48,100.6

Upon our site inspection, we noted that Levels 1 to 6 were occupied as retail shops, Levels 7 and 8 were occupied as warehouse and office respectively. As advised by the Manager, Lower Ground Level comprises mainly common area including staircases and storage area, which is regarded as non-lettable area.

As advised by the Manager, Level 7 and Level 8 will be converted into retail use commencing from May 2006 after renovation upon the expiry of the current tenancies.

3.7 Specification, Services and Finishes of the Development

White Horse Building is constructed of reinforced concrete with part glazed and part 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 subdivided into various Units on all levels and is served by 8 passenger lifts and 2 cargo lifts serving Levels 1 to 6, 1 passenger lift and 1 cargo lift serving Levels 7 to 8, 2 pairs of escalators serving Levels 1 to 4 and 17 staircases serving Levels 1 to 8.

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

The building is maintained in a reasonable condition commensurate to its age.

The fire safety measures include the installation of automatic sprinkler heads, smoke detectors, fire alarm system, fire extinguishers etc throughout the building.

3. THE SUBJECT PROPERTY (Continued)

3.8 Current Rental Income

As at the Date of Valuation, the Subject Property was fully leased.

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:

Gross Floor Area *(sq.m.)*	Monthly Net Rental Income *(RMB)*	Annual Net Rental Income *(RMB)*
50,199.3	9,754,587	117,055,044

According to the renewed tenancy agreements commencing from January, 2006, we understand that the renewed rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone and air-conditioning charges and etc.

According to the information provided by the Manager, the renewed tenancy agreements are at significantly higher rentals than the current passing rentals.

The Subject Property comprises various tenants from various industries such as bank, food & restaurants, garment wholesale centre and ancillary office and etc.

We are not aware of any material options or rights of pre-emption which may affect the value of the Subject Property.

3.9 Occupancy Rate

According to the information provided by the Manager, the Subject Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of 100% of the Subject Property held by GZI REIT. The Subject Property is occupied by various tenants such as Bank of Communication, Guangzhou Branch and various individuals' tenants.

3.10 Lease Cycle Duration and Expiry Profile

In general, the typical lease terms of the wholesales tenancies are on normal local commercial term.

The details of the lease term duration are shown as follows:

Lease term greater than *(year)*	Lease term less than or equal to *(year)*	By Area *(%)*
3	4	29.0
4	5	71.0
		100.0

3. THE SUBJECT PROPERTY (Continued)

3.10 Lease Cycle Duration and Expiry Profile (Continued)

In general, as advised by the Manager, the typical lease terms of the signed new tenancies commencing on January, 2006 vary between 4 and 5 years and are on normal local commercial terms.

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

% of tenancies due to expire in each year	**By Area**
	(%)
2009	29.0
2010 and beyond	71.0
Total	100.0

3.11 Summary of Material Rent Review Provisions

We understand that the Subject Property has no major material rent review provisions. According to the supplied documents and tenancy agreements, all the leases have been renewed commencing from January 2006 and the typical lease terms vary between 4 to 5 years. In our valuation, the renewed rentals have been taken into account.

The Manager is not aware of any sub-leases or tenancies in the Subject Property.

We are not aware of any sub-leases or tenancies and any material options or rights of pre-emption which may affect the value of the Subject Property and we have considered the renovation of Levels 7 and 8 for retail use commencing from May 2006.

3.12 Historic Outgoings

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

3. THE SUBJECT PROPERTY (Continued)

3.13 Property Management

3.13.1 Tenancy Services Agreement

A tenancy services agreement was 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 for an initial term of three years. Under this agreement the Leasing Agent (who is also the property manager of White Horse Building) will be paid a remuneration of 3% per annum of the gross revenue ("Service Fees") receivable by the Property Company from the operation of the Subject Property. The Leasing Agent, as the property manager of the building is entitled to retain 10% 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 Subject Property under the property management agreement.

3.13.2 Property Management Fee

As advised by the Manager, the monthly management fees payable by the tenants commencing from 1 January, 2006 is about RMB50 per sq.m.

4. VALUATION

4.1 Income Capitalisation Approach

This approach converts the actual and anticipated net income from the Subject 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 Subject Property on an open market basis by capitalising net rental income on a fully leased basis having regard to the current passing rental income and potential future income from existing vacancies.

In preparing our valuations, we have had regard to asking or transacted rental income comparables within similar retail/wholesale developments in the locality.

We understand from the Manager that Levels 7 and 8 (originally occupied as warehouse and office) of the Subject Property will be converted into retail use commencing from May 2006.

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 transaction available, we have analysed lettings from a variety of buildings in the locality.

In our assessment, the term yield adopted is 8% and reversionary yield is 9.5%. The term yield adopted is lower than the market yield derived below because the current passing rental income of the Subject Property is lower than the estimated current market rental income.

The term yield is used for capitalisation of the current passing rental income as at the dates of valuation whilst the reversionary yield is used to convert reversionary rental income. This approach is generally used in valuing income producing properties.

4. VALUATION (Continued)

4.1 Income Capitalisation Approach (Continued)

The reversionary yields are based on an analysis of the unit market rental income and the unit market value of the comparables collected for the Subject Property.

4.2 Discounted Cash Flow Analysis

For the Subject Property, the terminal capitalisation rate within our calculation is 9%. This is based on our analysis of the term yields applicable in the marketplace with a discount to allow for the fact that we are capitalising a net rental income in year 11. The discount reflects the difference between the rental income stream before deductions and the net rental income together with an allowance for the security that a net rental income provides over the rental income before deduction.

In our calculation, we have adopted the discount rate of 11% for the Subject 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 over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centres and office buildings.

In arriving at the periodic cash flow 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 the expiry of the leases.

We have estimated the rental income growth per annum during next 10 years for the Subject 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 of four or five years. Upon expiry of such tenancies new leases will be granted or renewed on three years terms at the then existing market rentals.

As advised by the Manager, no immediate capital expenditure will be incurred as the Subject Property is maintained in a reasonable condition commensurate with its age. According to the Manager, no large scale repair and maintenance from 2006 to 2015 is considered necessary. 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 Subject Property, are covered by the management fee paid by tenants.

As advised by the Manager, Levels 7 and 8 (originally occupied as warehouse and office) of the Subject Property will be converted into retail use commencing from May 2006.

We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance, property management fees (for existing tenancies but not for new tenancies or projected rental income commencing from January 2006) and service fees.

4. VALUATION (Continued)

4.2 Discounted Cash Flow Analysis (Continued)

In our assessment, we have valued the Subject Property using the following assumptions:

Items	**Percent**
Terminal Capitalisation Rate	9%
Discount Rate	11%
Growth Rate - Year 1	2%
Growth Rate - Year 2	2%
Growth Rate - Year 3	2%
Growth Rate - Year 4	7%
Growth Rate - Year 5	7%
Growth Rate - Years 6 to 10	5%
Vacancy Loss	1%
Bad Debts	0.5%

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

In our Discounted Cash Flow Analysis, 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:

Projected Outgoings Items	**Projected Outgoings**
Service Fees based on the tenancy	3.0% of gross rental income services agreement
Cost of Large Scale Repair and Maintenance as advised by the Manager	None
Sundry Expenses	0.5% of rental income
Insurance	Fixed Amount
Business Tax	5.0% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	original value of building x 70% x 1.2%
Stamp Duty	0.1% of gross rental income

5. VALUATION SUMMARY

We have summarised the calculation results of each approach in the table below:

Valuation Method	**Value** *(HK$)*
Income Capitalisation	2,541,000,000
Discounted Cash Flow	2,607,000,000

Based on our valuation method of Income Capitalisation Approach including Discounted Cash Flow Analysis, we are of the opinion that the Market Value of the Subject Property in its existing state as at the Date of Valuation was HONG KONG DOLLARS TWO THOUSAND FIVE HUNDRED AND SEVENTY-FOUR MILLION ONLY (HK$2,574,000,000) assuming it is available for sale in the market with the benefit of existing tenants and the property title are free from all material encumbrances or defects. The Market Value of the Subject Property is an average of values derived using by the Income Capitalisation Approach and Discounted Cash Flow Analysis.

Valuation of various units of the Subject Property (the "Subject Property") held by GZI REIT located in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu Dong Road, Tian He District, Guangzhou, Guangdong Province, the PRC.

1. SUMMARY OF THE SUBJECT PROPERTY

According to the information provided by the Manager, 83 Building Ownership Certificates have been issued in respect of the Subject Property. The details of the Subject Property are summarised as follows:

1.	Current Registered Owner	:	Moon King Limited
2.	Type of Land Use Right	:	Granted
3.	Town Plan Zoning	:	The zoning of the underlying land of Fortune Plaza was described as "commercial/office".
4.	Interest Valued	:	Leasehold interest of the Subject Property.
5.	Property Description	:	The Subject Property comprises a portion of a 6-storey commercial podium and two office towers erected above it.
6.	Gross Floor Area ("GFA") of the Subject Property	:	Total - 40,356.2 sq.m. Office - 36,503.1 sq.m. Retail - 3,853.1 sq.m.
7.	Lease Term	:	Levels 1-5, Level 37 of East Tower and Level 27 of West Tower - 40 years from 26 November, 2002 Levels 8-9, 11-14, 19, 25-28, 34-36 of East Tower and Levels 8-19, 24-26 of West Tower - 50 years from 26 November, 2002
8.	Usage	:	Levels 1-5, Level 37 of East Tower and Level 27 of West Tower - Commercial Levels 8-9, 11-14, 19, 25-28, 34-36 of East Tower and Levels 8-19, 24-26 of West Tower - Office
9.	Internal Floor Area of the Subject Property	:	30,752.3 sq.m.
10.	Gross Rentable Area of the Subject Property	:	40,356.2 sq.m.
11.	Construction Completion Date of Fortune Plaza	:	2003
12.	Market Value in existing state as at the Date of Valuation	:	HK$554,800,000
13.	Net Passing Income as at the Date of Valuation	:	RMB44,562,876 per annum

1. SUMMARY OF THE SUBJECT PROPERTY (Continued)

14.	Estimated Market Rental Income as at the Date of Valuation	:	RMB56,748,700 per annum
15.	Discount Rate adopted for Discounted Cash Flow Analysis only	:	11%
16.	Term Yield	:	Office: 7.0% Retail: 9.5%
17.	Reversionary Yield	:	Office: 9.0% Retail: 11.5%
18.	Occupancy Rate as at the Date of Valuation	:	90.2%
19.	Vacancy Allowance	:	Office: 5% Retail: 1%

2. THE SUBJECT PROPERTY

2.1 Situation and Locality

Fortune Plaza is located at Nos. 114, 116 and 118 Ti Yu Dong Road, Tian He District, Guangzhou, Guangdong Province, the PRC. It is close to the Guangzhou East Train Station and metro station.

Tian He District is a rapidly developing area and is the present focus of new Grade A office development. Located on the eastern side of Guangzhou, the majority of major developments in the area are situated around and overlook the Tian He stadium. This district has emerged as the new 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 initially and later has gradually expanded outwards from this central square.

2. THE SUBJECT PROPERTY (Continued)

2.2 Surrounding Development and Environmental Issues

The Subject 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 Dong Road is heavy as it is located at the busier side of the Tian He stadium.

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 Availability of and Access to Public Transport

General accessibility of Fortune Plaza is considered good as public transportation such as taxis and buses are available along Ti Yu Dong Road. Bus stops and metro station are located adjacent to Fortune Plaza.

Fortune Plaza is located in approximately 5 minutes driving distance from the Guangzhou East Train Station.

2.4 Car Accessibility and Road Frontage

Fortune Plaza is directly accessible from Ti Yu Dong Road. A pedestrian subway adjacent to the Subject Property allows access to Guangzhou Tian He Stadium.

2.5 Description of the Development

Fortune Plaza, a Grade A commercial complex, is located at Nos. 114, 116 and 118 Ti Yu Dong 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 80,419.1 sq.m.

The area breakdown of Fortune Plaza is summarized as below:

Level	**Usage**	**Gross Floor Area** *(sq.m.)*
Basement	Carpark and Machinery Plant Room	8,561.6
Podium: Level 1 to 6 – Commercial	Podium: Levels 1 to 6 – Commercial	23,993.0
Level 7	Level 7 - Machinery Plant Room	
East Tower	Level 8-36 – Office	28,900.3
	Level 37 - Commercial	
West Tower	Level 8-26 – Office	18,964.2
	Level 27-28 - Commercial	
	Total:	80,419.1

2. THE SUBJECT PROPERTY (Continued)

2.5 Description of the Development (Continued)

The site of the building comprises a regular and level plot having its main frontage onto Ti Yu Dong Road upon which a 6-storey commercial podium with two office towers has been erected and was completed in 2003. The East Tower is above the podium from the 8th to 37th storey and the West Tower from the 8th to 28th storey.

The main entrance of Fortune Plaza is onto Ti Yu Dong Road. General accessibility of Fortune Plaza is considered good as public transportation such as metro system, buses and taxis are available along Ti Yu Dong Road.

Car parking facilities are provided within 2 basement levels while a platform garden, a club and other ancillary facilities are located on Level 7.

The layout and design of Fortune Plaza is reasonable in comparison with the other office buildings in the locality.

2.6 Portion of Interest Held by GZI REIT

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

No.	Property	Usage	Gross Floor Area *(sq.m.)*	Internal Floor Area *(sq.m.)*
Podium, Ti Yu Dong Road				
1.	No. 118, Unit 109	Commercial	1,007.4	968.9
2.	No. 118, Level 2	Commercial	2,845.7	2,275.8
3.	No. 118, Level 3	Commercial	4,275.1	3,593.0
4.	No. 118, Level 4	Commercial	4,275.1	3,593.0
5.	No. 118, Level 5	Commercial	4,275.1	3,593.0
East Tower, Ti Yu Dong Road				
6.	No. 116, Unit 801	Office	180.2	115.0
7.	No. 116, Unit 802	Office	124.7	79.5
8.	No. 116, Unit 803	Office	188.8	120.5
9.	No. 116, Unit 805	Office	191.7	122.3
10.	No. 116, Unit 806	Office	124.8	79.6
11.	No. 116, Unit 808	Office	188.8	120.5
12.	No. 116, Unit 903	Office	188.8	120.5
13.	No. 116, Unit 905	Office	191.7	122.3
14.	No. 116, Unit 906	Office	124.8	79.6
15.	No. 116, Unit 908	Office	188.8	120.5
16.	No. 116, Unit 1101	Office	180.2	115.0
17.	No. 116, Unit 1102	Office	124.7	79.6
18.	No. 116, Unit 1108	Office	188.8	120.5

2. THE SUBJECT PROPERTY (Continued)

2.6 Portion of Interest Held by GZI REIT (Continued)

No.	Property	Usage	Gross Floor Area (sq.m.)	Internal Floor Area (sq.m.)
19.	No. 116, Unit 1201	Office	179.7	115.2
20.	No. 116, Unit 1202	Office	125.0	80.2
21.	No. 116, Unit 1203	Office	188.7	121.0
22.	No. 116, Unit 1205	Office	191.7	122.9
23.	No. 116, Unit 1206	Office	125.1	80.2
24.	No. 116, Unit 1208	Office	188.7	121.0
25.	No. 116, Unit 1301	Office	179.7	115.2
26.	No. 116, Unit 1302	Office	125.0	80.2
27.	No. 116, Unit 1303	Office	188.7	121.0
28.	No. 116, Unit 1305	Office	191.7	122.9
29.	No. 116, Unit 1306	Office	125.1	80.2
30.	No. 116, Unit 1308	Office	188.7	121.0
31.	No. 116, Unit 1401	Office	179.7	115.2
32.	No. 116, Unit 1402	Office	125.0	80.2
33.	No. 116, Unit 1403	Office	188.7	121.0
34.	No. 116, Unit 1405	Office	191.7	122.9
35.	No. 116, Unit 1406	Office	125.1	80.2
36.	No. 116, Unit 1408	Office	188.7	121.0
37.	No. 116, Unit 1901	Office	180.2	115.0
38.	No. 116, Unit 1902	Office	124.7	79.5
39.	No. 116, Unit 1903	Office	188.8	120.5
40.	No. 116, Unit 1905	Office	191.7	122.3
41.	No. 116, Unit 1906	Office	124.8	79.6
42.	No. 116, Unit 1908	Office	188.8	120.5
43.	No. 116, Units 2501 & 2601	Office	1,586.4	1,240.8
44.	No. 116, Unit 2705	Office	188.7	121.8
45.	No. 116, Unit 2801	Office	180.3	115.4
46.	No. 116, Unit 3401	Office	180.4	115.0
47.	No. 116, Units 3501 & 3601	Office	1,392.2	1,029.3
48.	No. 116, Level 37	Commercial	302.2	181.0

2. THE SUBJECT PROPERTY (Continued)

2.6 Portion of Interest Held by GZI REIT (Continued)

No.	Property	Usage	Gross Floor Area *(sq.m.)*	Internal Floor Area *(sq.m.)*
	West Tower, Ti Yu Dong Road			
49.	No. 114, Level 8	Office	997.7	779.6
50.	No. 114, Level 9	Office	997.7	779.6
51.	No. 114, Level 10	Office	997.7	779.6
52.	No. 114, Unit 1101	Office	189.3	120.5
53.	No. 114, Unit 1102	Office	125.0	79.5
54.	No. 114, Unit 1103	Office	179.7	114.4
55.	No. 114, Unit 1105	Office	189.3	120.5
56.	No. 114, Unit 1106	Office	125.0	79.6
57.	No. 114, Unit 1108	Office	189.3	120.5
58.	No. 114, Unit 1201	Office	189.0	122.0
59.	No. 114, Unit 1202	Office	125.7	81.1
60.	No. 114, Unit 1203	Office	179.4	115.8
61.	No. 114, Unit 1205	Office	189.0	122.0
62.	No. 114, Unit 1206	Office	125.7	81.1
63.	No. 114, Unit 1208	Office	189.0	122.0
64.	No. 114, Unit 1301	Office	189.0	122.0
65.	No. 114, Unit 1302	Office	125.7	81.1
66.	No. 114, Unit 1303	Office	179.4	115.8
67.	No. 114, Unit 1305	Office	189.0	122.0
68.	No. 114, Unit 1306	Office	125.7	81.1
69.	No. 114, Unit 1308	Office	189.0	122.0
70.	No. 114, Unit 1401	Office	189.0	122.0
71.	No. 114, Unit 1402	Office	125.7	81.1
72.	No. 114, Unit 1403	Office	179.4	115.8
73.	No. 114, Level 15	Office	997.7	779.6
74.	No. 114, Level 16	Office	997.7	779.6
75.	No. 114, Level 17	Office	997.7	779.6
76.	No. 114, Level 18	Office	997.7	779.6
77.	No. 114, Unit 1902	Office	125.9	81.6
78.	No. 114, Unit 1903	Office	179.3	116.2
79.	No. 114, Unit 1905	Office	188.8	122.4
80.	No. 114, Unit 1906	Office	125.9	81.6
81.	No. 114, Units 2401 & 2501	Office	1,591.4	1,243.6
82.	No. 114, Level 26	Office	646.8	446.0
83.	No. 114, Level 27	Commercial	335.8	180.4
		Total:	40,356.2	30,752.3

2. THE SUBJECT PROPERTY (Continued)

2.7 Specification, Services and Finishes of the Development

Fortune Plaza is constructed of reinforced concrete with glazed tiling to the exterior elevations and is decorated with marble or granite wall and floor tiles at the main lobby. The specification of the building includes central air-conditioning system. 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 8 passenger lifts and 2 cargo lifts serving all levels.

The standard of services and finishes within the development is considered to be reasonable commensurate to other office buildings in the neighbourhood.

The building is maintained in a reasonable condition commensurate to its age.

The fire safety measures include the installation of automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers throughout the building.

2.8 Current Rental Income

As at the Date of Valuation, about 9.8% of the Subject Property was vacant.

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:

Gross Floor Area *(sq.m.)*	Monthly Net Rental Income *(RMB)*	Annual Net Rental Income *(RMB)*
36,401.3	3,713,573	44,562,876

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 etc.

The Subject Property comprises various tenants from various industries such as banking/finance, property agency, information technology, manufacturing/ engineering, transportation, shipping and etc.

2. THE SUBJECT PROPERTY (Continued)

2.9 Occupancy Rate

According to the information provided by the manager, the majority portion of the Subject Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 90.2% of the Subject Property held by GZI REIT. Existing tenants include HSBC Bank, and Alibaba (China) Technology Co., Ltd.

2.10 Lease Cycle Duration and Expiry Profile

In general, the typical lease terms of all tenancies are on normal local commercial terms.

The details of the lease term duration are shown as follows:

Lease term greater than *(year)*	**Lease term less than or equal to** *(year)*	**By Area** *(%)*
0	1	0.3
1	2	22.0
2	3	57.6
3	4	5.6
4	5	4.7
Vacant		9.8
Total		100.0

The details of the lease expiry profile are shown as follows:

% of tenancies due to expire in each year	**By Area** *(%)*
2006	9.8
2007	41.2
2008	36.1
2009	6.0
2010 and beyond	6.9
Total	100.0

2. THE SUBJECT PROPERTY (Continued)

2.11 Summary of Material Rent Review Provisions

As advised by the Manager, there are no sub-leases or tenancies in the Subject Property except for the lease of Level 15 of West Tower. We consider that this sub-lease does not affect the value of the Subject Property.

We are not aware of any material options or rights of pre-emption which may affect the value of the Subject Property. We have considered the right to renew in our valuation.

2.12 Historic Outgoings

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

2.13 Property Management

2.13.1 Tenancy Services Agreement

A tenancy services agreement was entered into between the Manager, Moon King Limited (the "Property Company") and Guangzhou Yicheng Property Management Ltd. (the "Leasing Agent") on 7 December, 2005 for an initial term of three years. Under this agreement the Leasing Agent (who is also the property manager of Fortune Plaza) will be paid a remuneration of 4% per annum of the gross revenue ("Service Fees") receivable by the Property Company from the operation of the Subject Property.The Leasing Agent, as the property manager of the building is entitled to retain 10% 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 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 Subject Property under the property management agreement.

2.13.2 Property Management Fee

As advised by the Manager, the monthly property management fee is in line with the market level of similar developments in the locality.

3. VALUATION

3.1 Income Capitalisation Approach

This approach converts the actual and anticipated net income from the Subject 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 values of the Subject Property on an open market basis by capitalising net rental income on a fully leased basis having regard to the current passing rental income and potential future income from existing vacancies.

In preparing our valuations, we have had regard to asking or transacted rental income comparables within similar prime office and retail 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 transaction available to us, we have analysed transactions from a variety of similar type of buildings in the locality.

In our assessment, the term yields adopted are 9.5% for the retail component and 7.0% for the office component. The term yields adopted are lower than the market yields derived below because the current passing rental income of the Subject Property is lower than the estimated current market rental income. The reversionary yields adopted are 11.5% for the retail component and 9.0% for the office component. We have applied individual yields to theretail and office components of the Subject Property, with a higher yield for the retail component to reflect the perceived higher levels of risk associated with the retail property market which is less mature and more volatile compared to the office market in Guangzhou.

The term yield is used for capitalisation of the current passing rental income as at the Date of Valuation whilst the reversionary yield is used to convert reversionary rental income. This approach is generally used in valuing income producing properties.

The reversionary yields are based on an analysis of the unit market rental income and the unit market value of the comparables collected for the Subject Property.

3.2 Discounted Cash Flow Analysis

For the Subject Property, the terminal capitalisation rate for office portion within our calculation is 7.5% and the terminal capitalisation rate for retail portion is 9.5%. This is based on our analysis of the term yields applicable in the marketplace with a discount to allow for the fact that we are capitalising a net rental income in year 11. The discount reflects the difference between the rental income stream before deductions and the net rental income together with an allowance for the security that a net rental income provides over the rental income before deduction.

In our calculation, we have adopted the discount rate of 11% for the Subject 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 over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centres and office buildings.

In arriving at the periodic cash flow provided 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 the expiry of the leases.

3. VALUATION (Continued)

3.2 Discounted Cash Flow Analysis (Continued)

We have estimated the rental income growth per annum during next 10 years for the Subject 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, typically new or existing two to five years leases will be granted or renewed on the basis of three years leases and the then prevailing market rentals.

As advised by the Manager, no immediate capital expenditure will be incurred as the Subject Property is maintained in a reasonable condition commensurate with its age. We have adopted the forecast of the cost for large scale repair and maintenance from 2006 to 2015 provided by the Manager. No deduction has been made for the expected cost for small scale, routine repair and maintenance as we understand from the Manager that the small scale, routine repair and maintenance costs, for maintaining the current condition of the Subject Property, are covered by the management fee paid by tenants.

We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance, cost for large scale repair and maintenance, and service fees.

In our assessment, we have valued the Subject Property using the following assumptions:

Property	**Office Portion**	**Retail Portion**
Terminal Capitalisation Rate	7.5%	9.5%
Discount Rate	11%	11%
Growth Rate - Year 1	8%	10%
Growth Rate - Year 2	2%	12%
Growth Rate - Year 3	0%	16%
Growth Rate - Year 4	0%	10%
Growth Rate - Year 5	2%	10%
Growth Rate - Years 6 to 10	6%	5%
Vacancy Loss	5%	1%
Bad Debts	1%	1%

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

3. VALUATION (Continued)

3.2 Discounted Cash Flow Analysis (Continued)

In our Discounted Cash Flow Analysis, 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:

Projected Outgoings Items	Projected Outgoings
Service Fees based on the tenancy services agreement	4% of gross rental income
Cost for Large Scale Repair & Maintenance as advised by the Manager	Nil in 2006 RMB75,300 in 2007 RMB256,000 in 2008 RMB366,400 in 2009 RMB85,300 in 2010 RMB125,500 in 2011 RMB145,600 in 2012 RMB145,600 in 2013 RMB376,400 in 2014 RMB291,000 in 2015
Sundry Expenses	0.2% of rental income
Insurance	Fixed Amount
Business Tax	5.0% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	original value of building x 70% x 1.2%
Stamp Duty	0.1% of gross rental income

4. VALUATION SUMMARY

We have summarised the calculation results of each approach in the table below:

Valuation Method	**Value** *(HK$)*
Income Capitalisation	582,000,000
Discounted Cash Flow	527,600,000

Based on our valuation method of Income Capitalisation Approach including Discounted Cash Flow Analysis, we are of the opinion that the Market Value of the Subject Property in its existing state as at the Date of Valuation was HONG KONG DOLLARS FIVE HUNDRED AND FIFTY-FOUR MILLION AND EIGHT HUNDRED THOUSAND ONLY (HK$554,800,000) assuming it is available for sale in the market with the benefit of existing tenants and the property title are free from all material encumbrances or defects. The Market Value of the Subject Property is an average of the values derived using the Income Capitalisation Approach and Discounted Cash Flow Analysis.

Part C - City Development Plaza

Valuation of various units of the property (the "Subject Property") held by GZI REIT located in City Development Plaza, Nos. 185, 187 and 189 Ti Yu Xi Road, Tian He District, Guangzhou, Guangdong Province, the PRC.

1 SUMMARY OF THE SUBJECT PROPERTY

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

1.	Current Registered Owner	:	Full Estates Investment Limited
2.	Type of Land Use Right	:	Granted
3.	Town Plan Zoning	:	The zoning of the underlying land of City Development Plaza was described as "commercial/residential".
4.	Interest Valued	:	Leasehold interest of the Subject Property
5.	Property Description	:	The Subject Property forms a portion of a 28-storey Grade A commercial building.
6.	Gross Floor Area ("GFA") of the Subject Property	:	Total: 42,397.4 sq.m. Office: 30,639.8 sq.m. Retail: 11,757.6 sq.m.
7.	Lease Term	:	Levels 1-3 - 40 years from 27 January, 1997 Levels 6-11, 16-28-50 years from 27 January, 1997
8.	Usage	:	Levels 1-3 - Commercial Levels 6-11,16-28 - Office
9.	Internal Floor Area of the Subject Property	:	32,654.9 sq.m.
10.	Gross Rentable Area of the Subject Property	:	42,397.4 sq.m.
11.	Construction Completion Date of City Development Plaza	:	1997
12.	Market Value in existing state as at the Date of Valuation	:	HK$392,000,000
13.	Net Passing Income as at the Date of Valuation	:	RMB41,183,601 per annum
14.	Estimated Market Rental Income as at the Date of Valuation	:	RMB45,207,768 per annum

1 SUMMARY OF THE SUBJECT PROPERTY (Continued)

15.	Discount Rate adopted for Discounted Cash Flow Analysis only	:	11%
16.	Term Yield	:	Office: 8.5% Retail: 11.0%
17.	Reversionary Yield	:	Office: 9.5% Retail: 12.0%
18.	Occupancy Rate as at the Date of Valuation	:	92.6%
19.	Vacancy Allowance	:	Office: 4% Retail: 2%

2 THE SUBJECT PROPERTY

2.1 Situation and Locality

City Development Plaza is situated on the western side of Ti Yu Xi Road in Tian He District, Guangzhou, Guangdong Province, the PRC. Ti Yu Xi Road forms one axis of the square surrounding the 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 development. Located on the eastern side of Guangzhou, the majority of major developments in the area are situated around and overlook the Tian He stadium. This district has emerged as the new 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 initially and later has gradually expanded outwards from this central square.

2.2 Surrounding Development and Environmental Issues

The Subject 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 as it is located at the less busier side of the Tian He stadium.

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 THE SUBJECT PROPERTY (Continued)

2.3 Availability of and Access to Public Transport

General accessibility of City Development Plaza is considered good as public transportation such as taxis and buses are available along Ti Yu Xi Road. Bus stops are located at 2 minutes walk from City Development Plaza.

City Development Plaza is located at an approximately 10 minutes walk from Ti Yu Xi Station on No. 1 metro line.

2.4 Car Accessibility and Road Frontage

City Development Plaza is directly accessible from Ti Yu Xi Road.

2.5 Description of the Development

City Development Plaza, a 28-storey Grade A commercial building plus a 2-storey basement carpark, 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 floors from Levels 6 to 28. According to the information provided by the Manager, the development has a total gross floor area of 74,049.2 sq.m.

The area breakdown of City Development Plaza is summarized as below:

Level	**Usage**	**Gross Floor Area** *(sq.m.)*
Basement 1 and 2	Carpark, Machinery Room	12,500.6
Level 1-3	Commercial	11,757.5
Level 4	Restaurant	4,639.3
Level 5	Club House	1,724.5
Level 6-28	Office	43,427.3
	Total:	74,049.2

The commercial portion 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 having its main frontage onto Ti Yu Xi Road on which a 5-storey commercial portion with an office tower (rising from the 6th to 28th storey) has been built. The building was completed in 1997.

The building facilities include an exclusive clubhouse, restaurants, a conference centre and car parking spaces.

The layout and design of the Subject Property is square in shape.

2 THE SUBJECT PROPERTY (Continued)

2.6 Portion of Interest Held by GZI REIT

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

Floor	Usage	Gross Floor Area *(sq.m.)*	Remarks
Portion of Level 1	Commercial	1,580.2	Including management office
Portion of Level 1	Commercial	1,707.4	This portion is the atrium of Level 1 which is a not retail unit and not for permanent lease.
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	
The whole of Levels 18 and 19	Office	3,688.7	1,844.34 sq.m. for each level
Portion of Level 20	Office	1,613.8	
Portion of Level 21	Office	1,613.8	
The whole of Levels 22 to 28	Office	12,910.4	1,844.34 sq.m. for each level
	Total:	42,397.4	

2 THE SUBJECT PROPERTY (Continued)

2.7 Specification, Services and Finishes of the Development

City Development Plaza 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 central air-conditioning system. Main services comprising electricity, water and telecommunications are provided to the building.

The office portion is generally decorated with carpet floor or homogenous floor tile, wallpaper and false ceiling.

The retail podium is served by 2 passenger lifts, 4 pairs of 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 to its age.

The fire safety measures include the installation of automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers throughout the building.

2.8 Current Rental Income

As at the Date of Valuation, about 7.4% of the Subject Property was vacant.

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:

Gross Floor Area *(sq.m.)*	Monthly Net Rental Income *(RMB)*	Annual Net Rental Income *(RMB)*
39,260.0	3,431,966	41,183,601

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 etc.

The Subject Property is occupied by various tenants from various industries such as finance/insurance, property, information technology, telecommunications, manufacturing/ engineering, shipping, etc.

2.9 Occupancy Rate

According to the information provided by the manager, the majority portion of the Subject Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 92.6% of the Subject Property held by GZI REIT. The Subject Property is occupied by various tenants such as Guangzhou Wisdom Valley Development Co. Ltd., Cosco Guangzhou International Freight Co. Ltd., Taikang Life Insurance Co. Ltd., Shenzhen Development Bank, AXA-Minmetals Assurance Co. Ltd. Guangzhou Branch and Guangdong Mobile Communication Co., Ltd..

2 THE SUBJECT PROPERTY (Continued)

2.10 Lease Cycle Duration and Expiry Profile

In general, the typical lease terms of all tenancies are on normal local commercial terms.

The details of the lease term duration are shown as follows:

Lease term greater than *(year)*	**Lease term less than or equal to** *(year)*	**By Area** *(%)*
0	1	18.9
1	2	11.0
2	3	33.7
3	4	9.6
4	5	1.8
5	6	17.6
Vacant		7.4
		100.0

The details of the lease expiry profile are shown as follows:

% of tenancies due to expire in each year	**By Area** *(%)*
2006	37.4
2007	25.4
2008	15.4
2009	0.0
2010 and beyond	21.8
Total	100.0

2.11 Summary of Material Rent Review Provisions

As advised by the Manager, there are no sub-leases or tenancies in the Subject Property except for the leases of Units 202 and 301. We consider that this sub-lease does not affect the value of the Subject Property.

We are not aware of any material options or rights of pre-emption which may affect the value of the Subject Property. We have considered the right to renew in our valuation.

2 THE SUBJECT PROPERTY (Continued)

2.12 Historic Outgoings

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

2.13 Property Management

2.13.1 Tenancy Services Agreement

A tenancy services agreement was entered into between the Manager, Full Estates Investment Limited (the "Property Company") and Guangzhou Yicheng Property Management Co., Ltd. (the "Leasing Agent") on 7 December, 2005 for an initial term of three years. Under this agreement the Leasing Agent (who is also the property manager of City Development Plaza) will be paid a remuneration of 4% per annum of the gross revenue ("Service Fees") receivable by the Leasing Agent from the operation of the Subject Property. The Leasing Agent agrees that, for so long as it is the property manager of City Development 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 Subject Property under the property management agreement.

2.13.2 Property Management Fee

As advised by the Manager, the monthly management fee is at the market level of similar developments in the locality.

3 VALUATION

3.1 Income Capitalisation Approach

This approach converts the actual and anticipated net income from the Subject 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 Subject Property on an open market basis by capitalising net rental income on a fully leased basis having regard to the current passing rental income and potential future income from existing vacancies.

In preparing our valuations, we have had regard to asking or transacted rental income comparables within similar prime office and retail 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 transaction available to us, we have analysed lettings from a variety of similar type of buildings in the locality.

In our assessment, the term yields adopted are 11% for the retail component and 8.5% for the office component. The term yields adopted are lower than the market yields derived below because the current passing rental income of the Subject Property is lower than the estimated current market rental income. The reversionary yields adopted are 12% for the retail component and 9.5% for the office component. We have applied individual yields to the retail and office components of the Subject Property, with a higher yield for the retail components to reflect the perceived higher levels of risk associated with the retail property market which is less mature and more volatile compared to the office market in Guangzhou.

3 VALUATION (Continued)

3.1 Income Capitalisation Approach (Continued)

The term yield is used for capitalisation of the current passing rental income as at the Date of Valuation whilst the reversionary yield is used to convert reversionary rental income. This approach is generally used in valuing income producing properties.

The reversionary yields are based on an analysis of the unit market rental income and the unit market value of the comparables collected for the Subject Property.

3.2 Discounted Cash Flow Analysis

For the Subject Property, the terminal capitalisation rate for office portion within our calculation is 8% and the terminal capitalisation rate for retail portion is 10%. This is based on our analysis of the term yields applicable in the marketplace as with a discount to allow for the fact that we are capitalising a net rental income in year 11. The discount reflects the difference between the rental income stream before deductions and the net rental income together with an allowance for the security that a net rental income provides over the rental income before deduction.

In our calculation, we have adopted the discount rate of 11% for the Subject 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 over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centres and office buildings.

In arriving at the periodic cash flow 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 the expiry of the leases.

We have estimated that the rental income growth per annum during next 10 years for the Subject Property. Rental income growth patterns for each tenancies reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, typically new or existing two to five years leases will be granted or renewed on the basis of three years leases at the then prevailing market rentals.

As advised by the Manager, no immediate capital expenditure will be incurred as the Subject Property is maintained in a reasonable condition commensurate with its age. We have adopted the forecast of the cost for large scale repair and maintenance from 2006 to 2015 provided by the Manager. No deduction has been made for the expected cost for small scale, routine repair and maintenance as we understand from the Manager that the small scale, routine repair and maintenance costs, for maintaining the current condition of the Subject Property, are covered by the management fee paid by tenants.

We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance, cost for large scale repair and maintenance, and service fees.

3 VALUATION (Continued)

3.2 Discounted Cash Flow Analysis (Continued)

In our assessment, we have valued the Subject Property using the following assumptions:

Property	Office Portion	Retail Portion
Terminal Capitalisation Rate	8%	10%
Discount Rate	11%	11%
Growth Rate - Year 1	5%	5%
Growth Rate - Year 2	-2%	6%
Growth Rate - Year 3	-4.5%	8%
Growth Rate - Year 4	-4.5%	5.5%
Growth Rate - Year 5	-2%	5.5%
Growth Rate - Years 6 to 10	6%	5%
Vacancy Loss	4%	2%
Bad Debts	1%	1%

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

In our Discounted Cash Flow Analysis, 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:

Projected Outgoings Items	Projected Outgoings
Service Fees based on the tenancy services agreement	4% of gross rental income Cost for
Large Scale Repair & Maintenance as advised by the Manager	RMB349,500 in 2006
	RMB250,800 in 2007
	RMB1,065,900 in 2008
	RMB461,700 in 2009
	RMB666,900 in 2010
	RMB148,200 in 2011
	RMB399,000 in 2012
	RMB159,600 in 2013
	RMB79,800 in 2014
	RMB210,900 in 2015
Sundry Expenses	0.2% of net rental income
Insurance	Fixed Amount
Business Tax	5.0% of of rental income
Flood Prevention Fee	0.09%rental income
Urban Real Estate Tax	Original cost of property x 70% x 1.2%
Stamp Duty	0.1% of gross rental income

4 VALUATION SUMMARY

We have summarised the calculation results of each approach in the table below:

Valuation Method	**Value** *(HK$)*
Income Capitalisation	412,000,000
Discounted Cash Flow	372,000,000

Based on our valuation method of Income Capitalisation Approach including Discounted Cash Flow Analysis, we are of the opinion that the Market Value of the Subject Property in its existing state as at the Date of Valuation was HONG KONG DOLLARS THREE HUNDRED NINTY-TWO MILLION ONLY (HK$392,000,000) assuming it is available for sale in the market with the benefit of existing tenants and the property title are free from all material encumbrances or defects. The Market Value of the Subject Property is an average of values derived using the Income Capitalisation Approach and Discounted Cash Flow Analysis.

Part D - Victory Plaza

Valuation of various units of the property (the "Subject Property") held by GZI REIT located in Victory Plaza, No. 101 Ti Yu Xi Road, Tian He District, Guangzhou, Guangdong Province, the PRC.

1. SUMMARY OF THE SUBJECT PROPERTY

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

1.	Current Registered Owner	:	Keen Ocean Limited
2.	Type of Land Use Right	:	Granted
3.	Town Plan Zoning	:	According to the State-owned Land Use Rights Grant Contract dated 27 January, 1997, the zoning of the underlying land of Victory Plaza was described as "commercial/tourism".
4.	Interest Valued	:	Leasehold interest of the Subject Property.
5.	Property Description	:	The Subject Property comprises a portion of a 6-storey retail shopping centre with 1 basement level.
6.	Gross Floor Area ("GFA") of the Subject Property	:	27,698.1 sq.m.
7.	Lease Term	:	Basement Level 1 - 40 years from 8 March, 2004 Unit 101 - 40 years from 8 March, 2004 Unit 102 - 40 years from 8 March, 2004 Level 1（架空層） - 40 years from 8 March, 2004 Level 2 - 40 years from 8 March, 2004 Level 3 - 40 years from 8 March, 2004 Level 4 - 40 years from 8 March, 2004 Level 5 - 40 years from 8 March, 2004 Level 6 - 40 years from 8 March, 2004
8.	Usage	:	Basement Level 1 - Non-residential/Commercial Unit 101 - Non-residential Unit 102 - Non-residential Level 1（架空層） - Non-residential Level 2 - Non-residential Level 3 - Non-residential Level 4 - Non-residential Level 5 - Non-residential Level 6 - Non-residential
9.	Internal Floor Area of the Subject Property	:	22,847.9 sq.m.

1. SUMMARY OF THE SUBJECT PROPERTY (Continued)

10.	Gross Rentable Area of the Subject Property	:	27,262.3 sq.m.
11.	Construction Completion Date of Victory Plaza	:	2003
12.	Market Value in existing state as at the Date of Valuation	:	HK$533,000,000
13.	Net Passing Income as at the Date of Valuation	:	RMB31,263,786 per annum
14.	Estimated Market Rental Income as at the Date of Valuation	:	RMB61,529,964 per annum
15.	Discount Rate adopted for Discounted Cash Flow Analysis only	:	11%
16.	Term Yield	:	8.5%
17.	Reversionary Yield	:	10.5%
18.	Occupancy Rate as at the Date of valuation	:	100%
19.	Vacancy Allowance	:	1%

2. THE SUBJECT PROPERTY

2.1 Situation and Locality

Victory Plaza, a 6-storey commercial retail centre with 4 basement levels, is located at No. 101 Ti Yu Xi Road, Tian He District, Guangzhou, Guangdong Province, the PRC. Victory Plaza features a 6-storey glass atrium over its entrance and a paved pedestrian mall in front of the building. As at the time of inspection, there are two office towers being constructed on top of the retail centre. As advised by the Manager, the two office towers with 52 and 36 storeys high will be completed in 2007.

Victory Plaza is located at the junction of Tian He Road and Ti Yu Xi Road. It is next to Guangzhou Book Centre and within close proximity of Teem Plaza. Ti Yu Xi Road forms one axis of the square surrounding the Tian He Stadium and has become one of the main CBDs in Guangzhou.

2.2 Surrounding Development and Environmental Issues

The Subject 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 as it is located at the less busier side of the Tian He stadium.

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 Availability of and Access to Public Transport

General accessibility of Victory Plaza is considered good as public transportation such as taxis and buses are available along Ti Yu Xi Road. Bus stops are located at 2 minutes walk from Victory Plaza.

Victory Plaza is located at an approximately 10 minutes walk from Ti Yu Xi Road Station on No. 1 metro line. The No. 3 metro line is currently under construction and the first section is scheduled to be completed by the end of 2005. The No. 1 and No. 3 metro lines are planned to build a direct underground access to the basement level 1 of Victory Plaza, which will enhance the accessibility of Victory Plaza upon its completion.

2.4 Car Accessibility and Road Frontage

Victory Plaza, situated at the junction of Tian He Road and Ti Yu Xi Road, is directly accessible from Ti Yu Xi Road.

2. THE SUBJECT PROPERTY (Continued)

2.5 Description of the Development

Victory Plaza, a 6-storey commercial and retail centre and 4 levels of basement, 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 52,568.6 sq.m.

The area breakdown of Victory Plaza is summarised as below:

Level	**Usage**	**Gross Floor Area** *(sq.m.)*
Basement 1 to 4	Car park	24,870.5
Basement 1	Commercial	1,809.2
Level 1	Commercial (includes 架空層)	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	4,603.2
	Total:	52,568.6

Upon our site inspection, there were two office towers being constructed on top of the retail centre. As advised by the Manager, the two office towers with 52 and 36 storeys high are scheduled to be completed in 2007. The two office towers are East and West Towers with an estimated floor area of 58,823.0 sq.m. and 30,772.0 sq.m. respectively upon completion.

The site area of Victory Plaza is approximately 10,477.0 sq.m. The site of the shopping centre comprises a regular and level plot having its main frontage onto Ti Yu Xi Road on which a 6-storey commercial retail centre with 4 basement levels has been erected and was completed in 2003.

The main entrance of Victory Plaza is onto Ti Yu Xi Road. General accessibility of Victory Plaza is considered good as public transportation such as buses and taxis are available along Ti Yu Xi Road.

The layout and design of Victory Plaza is reasonable in comparison with the other shopping centres in the locality.

2. THE SUBJECT PROPERTY (Continued)

2.6 Interest Held by GZI REIT

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

Level	Usage	Gross Floor Area *(sq.m.)*	Internal Floor Area *(sq.m.)*
Part 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（架空層）	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	4,603.2	3,872.9
	Total:	27,698.1	22,847.9

2.7 Specification, Services and Finishes of the Development

Victory Plaza is constructed of reinforced concrete structures. The common parts from Levels 1 to 4 are finished with granite homogenous floor and wall tiles and on Levels 5 to 6 with granite floor tiles and plastic or painted and wallpapered walls. 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, 2 pairs of escalators serving the basement to Level 4 and by 6 staircases.

The standard of services and finishes within the development is considered to be reasonable, commensurately to other shopping centres in the neighbourhood.

The building is maintained in a reasonable condition commensurate to its age.

The fire safety measures include the installation of automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers throughout the building.

2. THE SUBJECT PROPERTY (Continued)

2.8 Current Rental Income

As at the Date of Valuation, the Subject Property was fully leased. 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:

Gross Floor Area *(sq.m.)*	Monthly Net Rental Income *(RMB)*	Annual Net Rental Income *(RMB)*
27,698.1	2,605,315	31,263,786

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 etc.

The Subject Property is occupied by various tenants from various industries such as food & beverages, electricity, banking/financing, retail, etc.

2.9 Occupancy Rate

According to the information provided by the manager, the Subject Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of 100% of the Subject Property held by GZI REIT. The Subject Property is occupied by various tenants such as Guangzhou Xin Da Xin Company , Guangzhou Qiao Mei Fa Zhan Company Limited, Guangzhou Laoxiang Diet Co. Ltd., Yum! Restaurants (Guangdong) Co., Ltd. and China Merchants Bank Guangzhou Branch.

2. THE SUBJECT PROPERTY (Continued)

2.10 Lease Cycle Duration and Expiry Profile

In general, the typical lease terms of all tenancies are on normal local commercial terms.

The details of the lease term duration are shown as follows:

Lease term greater than *(year)*	**Lease term less than or equal to** *(year)*	**By Area** *(%)*
1	2	27.7
2	3	1.5
3	4	3.0
4	5	18.3
5	6	5.8
6	7	6.5
7	8	0.0
8	9	5.7
9	10	0.0
10	11	31.5
		100.0

The details of the lease expiry profile are shown as follows:

% of tenancies due to expire in each year	**By Area** *(%)*
2006	2.8
2007	0.7
2008	4.2
2009	2.0
2010 and beyond	90.3
Total	100.0

2.11 Summary of Material Rent Review Provisions

As advised by the Manager, there are no sub-leases or tenancies in the Subject Property.

We are not aware of any material options or rights of pre-emption which may affect the value of the Subject Property. We have considered the right to renew in our valuation.

2. THE SUBJECT PROPERTY (Continued)

2.12 Historic Outgoings

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

We are of the opinion that the current property management fee is in line with the market level of similar developments in the locality.

2.13 Property Management

2.13.1 Tenancy Services Agreement

A tenancy services agreement was entered into between between the Manager, Keen Ocean Limited (the "Property Company") and Guangzhou Yicheng Property Management Co., Ltd. (the "Leasing Agent") on 7 December, 2005, for an initial term of three years. Under this agreement the Leasing Agent (who is also the property manager of Victory Plaza) will be paid a remuneration of 4% per annum of the gross revenue ("Service Fees") receivable by the Property Company from the operation of the Subject Property. The Leasing Agent, as the property manager of the building is entitled to retain 10% 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 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 Subject Property under the property management agreement.

2.13.2 Property Management Fee

As advised by the Manager, the monthly management fee is at the market level of similar developments in the locality.

3. VALUATION

3.1 Income Capitalisation Approach

This approach converts the actual and anticipated net income from the Subject 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 Subject Property on an open market basis by capitalising net rental income on a fully leased basis having regard to the current passing rental income and potential future income from existing vacancies.

In preparing our valuations, we have had regard to asking or transacted rental income comparables within similar prime retail 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 transaction available to us, we have analysed lettings from a variety of similar type of buildings in the locality.

3. VALUATION (Continued)

3.1 Income Capitalisation Approach (Continued)

In our assessment, the term yield and reversionary yield adopted are 8.5% and 10.5% respectively. The term yield adopted is lower than the market yield derived below because the current passing rental income of the Subject Property is lower than the estimated current market rental income. The term yield is used for capitalisation of the current passing rental income as at the dates of valuation whilst the reversionary yield is used to convert reversionary rental income. This approach is generally used in valuing income producing properties.

The reversionary yields are based on an analysis of the unit market rental income and the unit market value of the comparables collected for the Subject Property.

3.2 Discounted Cash Flow Analysis

For the Subject Property, the terminal capitalisation rate adopted within our calculation is 9%. This is based on our analysis of the term yields applicable in the marketplace with a discount to allow for the fact that we are capitalising a net rental income in year 11. The discount reflects the difference between the rental income stream before deductions and the net rental income together with an allowance for the security that a net rental income provides over the rental income before deduction.

In our calculation, we have adopted the discount rate of 11% for the Subject 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 over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centres and office buildings.

In arriving at the periodic cash flow provided 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 the expiry of the leases.

We have estimated that the rental income growth per annum during next 10 years for the Subject 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, typically new or existing three to ten leases will be granted or renewed on the basis of three years leases and the then existing market rentals.

As advised by the Manager, no immediate capital expenditure will be incurred as the Subject Property is maintained in a reasonable condition commensurate with its age. We have adopted the forecast of the cost for large scale repair and maintenance from 2006 to 2015 provide by the Manager. No deduction has been made for the expected cost for small scale, routine repair and maintenance as we understand from the Manager that the small scale, routine repair and maintenance costs, for maintaining the current condition of the Subject Property, are covered by the management fee paid by tenants.

We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance, cost for large scale repair and maintenance, and service fees.

3. VALUATION (Continued)

3.2 Discounted Cash Flow Analysis (Continued)

In our assessment, we have valued the Subject Property using the following assumptions:

Items	Percent
Terminal Capitalisation Rate	9%
Discount Rate	11%
Growth Rate - Year 1	5%
Growth Rate - Year 2	6%
Growth Rate - Year 3	8%
Growth Rate - Year 4	10%
Growth Rate - Year 5	10%
Growth Rate - Years 6 to 10	6%
Vacancy Loss	1%
Bad Debts	1%

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

In our Discounted Cash Flow Analysis, 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:

Projected Outgoings Items	Projected Outgoings
Service Fees based on the tenancy services agreement	4% of gross rental income
Cost for Large Scale Repair and Maintenance as advised by the Manager	RMB410,000 in 2006
	RMB1,040,000 in 2007
	RMB427,600 in 2008
	RMB410,000 in 2009
	RMB380,000 in 2010
	RMB230,000 in 2011
	RMB820,000 in 2012
	RMB181,000 in 2013
	RMB598,000 in 2014
	RMB1,221,900 in 2015
Sundry Expenses	0.2% of rental income
Insurance	Fixed Amount
Business Tax	5.0% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	original cost of property x 70% x 1.2%
Stamp Duty	0.1% of gross rental income

4. VALUATION SUMMARY

We have summarised the calculation results of each approach in the table below:

Valuation Method	**Value** *(HK$)*
Income Capitalisation	475,000,000
Discounted Cash Flow	591,000,000

Based on our valuation method of Income Capitalisation Approach including Discounted Cash Flow Analysis, we are of the opinion that the Market Value of the Subject Property in its existing state as at the Date of Valuation was HONG KONG DOLLARS FIVE HUNDRED AND THIRTY-THREE MILLION ONLY (HK$533,000,000) assuming it is available for sale in the market with the benefit of existing tenants and the property title are free from all material encumbrances or defects. The Market Value of the Subject Property is an average of values derived using by the Income Capitalisation Approach and Discounted Cash Flow Analysis.