



Colliers International (Hong Kong) Ltd

Company Licence No: C-006052

Suite 5701 Central Plaza

18 Harbour Road Wanchai

Hong Kong

高力國際物業顧問(香港)有限公司
香港灣仔港灣道18號中環廣場5701室

Tel 852 2828 9888

Fax 852 2107 6015

www.colliers.com

12 December 2005

GZI REIT Asset Management Limited (“Manager”)

2102, 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

The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)

1 Queen’s Road Central

Central, Hong Kong

Citigroup Global Markets Asia Limited (“Citigroup”)

50th Floor, Citibank Tower

Citibank Plaza, 3 Garden Road

Central, Hong Kong

DBS Bank Ltd.

(together with HSBC and Citigroup, the “Joint Global Coordinators”)

16th Floor, Man Yee Building

68 Des Voeux Road Central

Central, Hong Kong

Dear Sirs,

Building Condition Survey Summary

1. Introduction

Colliers International (Hong Kong) Ltd was appointed as the Building Condition Survey Consultant to conduct a building condition survey of the properties to be acquired by GZI Real Estate Investment Trust ("GZI REIT"). This letter provides a summary of our approach and findings. In our role as the Building Condition Survey Consultant, we:

- a. conducted comprehensive building condition surveys on each of the four properties to be acquired by GZI REIT, namely, White Horse Building, Fortune Plaza, City Development Plaza and Victory Plaza located in Guangzhou, Guangdong, The People's Republic of China (hereinafter called the "Properties") to:-
 - (i) confirm the structural integrity of each of the Properties;
 - (ii) identify and recommend works required to rectify any existing defects in each of the Properties;
 - (iii) record the conditions of each of the Properties;
 - (iv) identify areas in each of the Properties which deviate from the record floor plans supplied by Guangzhou Investment Company Limited;
 - (v) verify the use of each floor of each of the Properties against their approved usage; and
 - (vi) review statutory certificate for completion of each of the Properties; and
- b. compiled a 10-year forecast of repair and maintenance expenditure for each of the Properties.

Our inspection is limited only to the area to be acquired by GZI REIT and the Gross Floor Area of each of the Properties are as follows:

Name of Building	GZI REIT Area (Gross Floor Area)	
	Retail (sq.m.)	Office (sq.m.)
White House Building	46,279.3	3,920.0
Fortune Plaza	3,853.1	36,503.1
City Development Plaza	11,757.6	30,639.8
Victory Plaza	27,698.1	—

Note: The breakdown between retail and office is as determined by the Manager.

2. Surveys and Evaluations Conducted

The comprehensive building condition surveys carried out to the Properties were headed by a Registered Professional Surveyor (Building Surveying). The scope of works included visual inspection of the building fabric, structure and the building services system, sampling check of electrical circuit as well as verification and record of their existing conditions.

The inspection included the visual inspection of (i) internal common areas, accessible tenant area, all accessible area which are to be acquired by GZI REIT together with common area required to access GZI REIT areas; and (ii) the building structural element such as external walls and roofs, The defects noted were minor in nature and included cracks, sign of dampness, spalling concrete, cracked and damaged wall/ floor tiles. All such defects identified were recorded in the full building condition survey report. All such defects can be rectified and the estimated cost of rectification of the defects has been included in our forecast. Further investigation is required in some electrical and mechanical system as listed in our full building condition survey report.

3. 10-Year Forecast of Repair and Maintenance Expenditure

We have prepared a forecast of the repair and maintenance expenditure for the Properties for the 10 years ending 2014. These include the estimated costs of maintaining the Properties and associated building services installations.

The following methodologies were used in preparing the forecasts:

- a. estimated repair and maintenance costs which comprise existing defects and annual maintenance costs.
- b. estimated costs were also based on normal repair method for the defective works for the defects found and the methods of repair have been stipulated in full building condition survey report.
- c. estimated costs were based on current market rates with a 5% inflation rate being used to project expenditure over the next 10 years.
- d. estimated costs were based on the management of the four Properties maintaining the building in their existing state and with sufficient resource being provided by the property manager and work being carried out as per the construction market's common practice.

For our forecast period, no capital expenses were given as those expenses would be borne by the special repair fund of the Properties.

The 10 years repair and maintenance costs for the Properties are as follows:

		City			
		White Horse	Fortune	Development	Victory
		Building	Plaza	Plaza	Plaza
		<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
2005					
Repair & Maintenance Cost	Builder works	150,000	8,000	10,000	10,000
	Structural items	40,000	N/A	30,000	85,000**
	E/M ⁽¹⁾ works	107,000	87,000	57,000	27,000
Investigation Fee ⁽²⁾		<u>60,000</u>	N/A	<u>20,000</u>	<u>60,000</u>
Total		<u><u>357,000</u></u>	<u><u>95,000</u></u>	<u><u>117,000</u></u>	<u><u>182,000</u></u>

** This repair cost includes the immediate cost required for the painting of a rusty metal frame of a signage at Victory Plaza.

		City			
		White Horse	Fortune	Development	Victory
		Building	Plaza	Plaza	Plaza
		<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
2006					
Repair & Maintenance Cost	Builder works	157,500	8,400	10,500	10,500
	Structural items	42,000	N/A	31,500	21,000
	E/M ⁽¹⁾ works	307,400	187,400	187,400	157,400
Investigation Fee ⁽²⁾		N/A	N/A	N/A	N/A
Total		<u><u>506,900</u></u>	<u><u>195,800</u></u>	<u><u>229,400</u></u>	<u><u>188,900</u></u>

		City			
		White Horse	Fortune	Development	Victory
		Building	Plaza	Plaza	Plaza
		<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
2007					
Repair & Maintenance Cost	Builder works	165,400	8,800	11,000	11,000
	Structural items	44,100	N/A	33,000	22,000
	E/M ⁽¹⁾ works	322,800	197,700	197,700	165,300
Investigation Fee ⁽²⁾		N/A	N/A	N/A	N/A
Total		<u><u>532,300</u></u>	<u><u>206,500</u></u>	<u><u>241,700</u></u>	<u><u>198,300</u></u>

		White Horse	Fortune	City	Victory
		Building	Plaza	Development	Plaza
		(RMB)	(RMB)	(RMB)	(RMB)
2008					
Repair & Maintenance Cost	Builder works	173,700	9,200	11,600	11,600
	Structural items	46,300	N/A	34,700	23,000
	E/M ⁽¹⁾ works	338,900	207,600	207,600	173,600
Investigation Fee ⁽²⁾		N/A	N/A	N/A	N/A
Total		<u>558,900</u>	<u>216,800</u>	<u>253,900</u>	<u>208,200</u>

		White Horse	Fortune	City	Victory
		Building	Plaza	Development	Plaza
		(RMB)	(RMB)	(RMB)	(RMB)
2009					
Repair & Maintenance Cost	Builder works	182,400	9,700	12,200	12,200
	Structural items	48,600	N/A	36,400	24,200
	E/M ⁽¹⁾ works	355,800	218,000	218,000	182,300
Investigation Fee ⁽²⁾		N/A	N/A	N/A	N/A
Total		<u>586,800</u>	<u>227,700</u>	<u>266,600</u>	<u>218,700</u>

		White Horse	Fortune	City	Victory
		Building	Plaza	Development	Plaza
		(RMB)	(RMB)	(RMB)	(RMB)
2010					
Repair & Maintenance Cost	Builder works	191,500	10,200	12,800	12,800
	Structural items	51,000	N/A	38,200	25,400
	E/M ⁽¹⁾ works	373,600	228,900	228,900	191,400
Investigation Fee ⁽²⁾		N/A	N/A	N/A	N/A
Total		<u>616,100</u>	<u>239,100</u>	<u>279,900</u>	<u>229,600</u>

		White Horse	Fortune	City	Victory
		Building	Plaza	Development	Plaza
		(RMB)	(RMB)	(RMB)	(RMB)
2011					
Repair & Maintenance Cost	Builder works	201,100	10,700	13,400	13,400
	Structural items	53,600	N/A	40,100	26,700
	E/M ⁽¹⁾ works	392,300	240,300	240,300	201,000
Investigation Fee ⁽²⁾		N/A	N/A	N/A	N/A
Total		<u>647,000</u>	<u>251,000</u>	<u>293,800</u>	<u>241,100</u>

		White Horse	Fortune	City	Victory
		Building	Plaza	Development	Plaza
		(RMB)	(RMB)	(RMB)	(RMB)
2012					
Repair & Maintenance Cost	Builder works	211,200	11,200	14,100	14,100
	Structural items	56,300	N/A	42,100	28,000
	E/M ⁽¹⁾ works	411,900	252,300	252,300	211,100
Investigation Fee ⁽²⁾		N/A	N/A	N/A	N/A
Total		<u>679,400</u>	<u>263,500</u>	<u>308,500</u>	<u>253,200</u>

		White Horse	Fortune	City	Victory
		Building	Plaza	Development	Plaza
		(RMB)	(RMB)	(RMB)	(RMB)
2013					
Repair & Maintenance Cost	Builder works	221,800	11,800	14,800	14,800
	Structural items	59,100	N/A	44,200	29,400
	E/M ⁽¹⁾ works	432,500	264,900	264,900	221,700
Investigation Fee ⁽²⁾		N/A	N/A	N/A	N/A
Total		<u>713,400</u>	<u>276,700</u>	<u>323,900</u>	<u>265,900</u>

		White Horse Building (RMB)	Fortune Plaza (RMB)	City Development Plaza (RMB)	Victory Plaza (RMB)
2014					
Repair & Maintenance Cost	Builder works	232,900	12,400	15,500	15,500
	Structural items	62,100	N/A	46,400	30,900
	E/M ⁽¹⁾ works	511,400	341,400	361,400	361,400
Investigation Fee ⁽²⁾		N/A	N/A	N/A	N/A
Total		<u>806,400</u>	<u>353,800</u>	<u>423,300</u>	<u>407,800</u>

Notes:-

- (1) E/M works mean the electrical and mechanical works.
- (2) Investigation Fee is the independent consultant fee required for the further investigation in some of the electrical and mechanical system.

A summary of rectification works which corresponds to the repair costs for the following four buildings tabulated above is as follows:

a. **White Horse Building**

The summary for builder works are mainly the repair of the hair line cracks, replacement of broken floor and wall tiles both internally and externally, rectification of the window leakage and the sign of dampness, replacement of damaged door frame, replacement of rusty sliding gate, door and metal fencing, replacement of nosing tiling and granite at staircases. The repair cost includes normal wear and tear maintenance costs.

The summary for the structural items are mainly the rectification work for the spalled concrete and plaster.

The summary for the building services works are mainly replacement of damaged cable trucking, replacement of rusty galvanized iron conduit, enclosure for the live conductors in distribution boards of low voltage supply system, replacement of rusty gate valves for the ventilation and air conditioning system.

b. **Fortune Plaza**

The summary for builder works mainly include the repair of loosen door closer. The repair cost also includes normal wear and tear maintenance costs.

The summary for structural works does not reveal any structural irregularities.

The summary for building services works mainly include the repair of fixing the busbar at switch rooms, underground rain water extraction pump, replacement of emergency lighting and exit signs and refixing of fire detectors and replacement of gate valves of the ventilation and air conditioning system.

c. ***City Development Plaza***

The summary for builder works mainly include normal wear and tear maintenance costs.

The summary for structural items mainly includes the repair of spalled concrete and plaster.

The summary for building services works mainly include the replacement of cable trucking, replacement of rusty galvanised iron conduit and rectification of water leakage of waste-water stack pipe, replacement of emergency light bulb and exit sign, replacement of gate valves of ventilation and air conditioning system.

d. ***Victory Plaza***

The summary for builder works mainly include the repair of hair-line cracks, rectification of dampness, replacement of balustrade, replacement of floor tiles and replacement of curb tiles. The repair cost includes normal wear and tear maintenance costs.

The summary for structural items mainly includes the repainting of sign board structure with rust resistant protection paint and repair of cracks.

The summary for building services works mainly include the rectification of insulation joints for ventilation and air conditioning system, and rectification of water leakage at ceiling.

4. Reports Delivered

A full report was prepared for the four Properties for which comprehensive building condition surveys were conducted and included:

- Introduction
- Background information of the four Properties
- Detailed description of the findings on defects
- Location descriptions with photographs of typical defects
- Assessment of the structural condition of the relevant Properties
- Comments / Recommendation of the repair methods to remedy the defects noted

- Conclusion
- Findings on non-conformity items
- Structural Survey Report with photograph for particular locations inspected and defects found
- Building Service Inspection Report on the E/M system
- Estimated 10-year forecast of repair and maintenance expenditure for each of the Properties

5. Conclusion

5.1 *Condition of the Properties*

The condition of the four properties was generally fair/good at the time of inspection. The condition is generally in line with the buildings of similar age and grade. No material defects have been noted except for minor defects such as cracks, signs of dampness, cracked wall and floor tiles, spalling concrete. Given the age and structural form of the Properties, our inspection was confined to some 20% of the building structural elements as we consider this to be a sufficiently representative sample of the general structural condition of the Properties Concerned. There was no sign of distress observed at any of the buildings and thus it is not necessary to carry out further testing or investigation on the structural strength of the materials for the Properties at the time of inspection. Except for the non-conformity items mentioned below, there are no material structural defects noted in the building structure which would affect the transfer of the Properties.

The Properties are generally constructed according to the approved usage except that there were certain non-conformity items and these have been included in the full building condition survey report. These non-conformities comprise deviations from the record drawings such as the relocation of exit doors and plant rooms from their approved location, additional shop, spiral staircases, new small green house, store rooms and plant rooms, office area used as dormitory, and missing air-conditioning plant rooms.

5.2 *Building Regulation Compliance*

The Statutory Certificates of Completion for White Horse Building dated 30 December, 1990 and City Development Plaza dated 18 November, 1997 were received. The Certificates for the Victory Plaza filed on 5 July, 2004 and the Fortune Plaza filed on 16 October, 2003 were also received. A statutory certificate of completion for the alteration and additional works for White Horse Building dated 25 September, 2000 was also received.

Victory Plaza and Fortune Plaza were completed recently according to the above Statutory Certificates of Completion. No major irregularities have been observed on site. Regarding City Development Plaza, the building has been completed for around 8 years. Recent inspection has shown that the construction is in compliance with the record plan supplied by Manager and no major irregularities were found on site. Therefore, the above three buildings generally complied with the local building regulations at the time of completion. For the White Horse Building, except for the non-conformity items noted, we conclude that the building was constructed in compliance with the local regulations at the time of inspection.

6. Limiting Conditions

In preparing the report, we have relied on the information supplied by the Manager such as the copy of record plans, statutory certificates of completion, and the areas to be acquired by GZI REIT. Where necessary, we have made relevant enquiries and obtained such further information as we consider necessary to allow us to provide you with this report. We have also conducted site inspections and meetings with the staff from the management companies. We have carried out our inspection purely on a visual basis, without testing of any kind to the building fabric and building services system. Parts of the building structure that were not visible without removal of wall finishes or building fabric have not been inspected and no destructive testing has been carried out and we have not inspected the areas which are inaccessible or covered up and we cannot accept any responsibility for the inaccessible areas, concealed parts of the buildings and building services system. However, our visual inspection of the accessible areas of the Properties did not reveal any defects that would lead us to require an immediate inspection of the inaccessible or covered areas at the time of inspection.

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Ltd
K.C. Lee
MHKIS MRICS RPS (BS)
Building Consultant