

# CREO PROPERTY PORTFOLIO

**VALUATION RESULT SUMMARY**

**January 2010**

## Basis of Valuation

The valuations are prepared in accordance with the appropriate sections of the Practice Statements ("PS") contained within the RICS Appraisal and Valuation Standards, 6<sup>th</sup> Edition (the "Red Book"). This is an internationally accepted basis of valuation.

Our valuation of the Properties represents its Market Value in accordance with the RICS Appraisal and Valuation Standards, 6<sup>th</sup> Edition (the "Red Book"), which is defined as:

*"The estimated amount for which a property should exchange on the date 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."*

Date of Valuation is 31 December 2009. Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect its value.

We have assumed that transferable land use rights in respect of the Property for a specific term at nominal annual land use fees have been granted and that any premium has already been fully settled. We have assumed that the grantee or the user of the Property has free and uninterrupted rights to use or to assign the Property for the whole of the un-expired term as granted.

Different valuation approaches are applied depending on the nature of the property. Valuation approaches are briefly described below.

### **Direct Comparison Approach**

Direct Comparison Approach is making reference to comparable sales and rental evidence as available in the relevant market. Analysis and adjustments of comparable transaction evidence have been made to reflect differences in e.g. Location, Building Age, Building Facilities and Size. Direct Comparison Approach has been applied to all four properties.

### **Discounted Cash Flow Approach**

Discounted Cash Flow ("DCF") 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 and capital growth over an assumed investment horizon. It involves discounting the future net cash flow of the Property to its present value by using an appropriate discount rate that reflects the rate of return required by an investor or owner.

10-year cash flow forecasts have been prepared with reference to the current and forecasted market conditions assuming annual income streams commencing from 31 December 2009. A wide range of assumptions are made relating to rental growth, sale price of the property at the end of the investment horizon, and its disposal at the end of the investment period.

### **Residual Approach**

Residual Approach is essentially a means of valuing land with reference to its development potential. The site value is arrived by deducting development costs, interest and developer's profit from its estimated gross development value.

### **Weights**

The values derived from valuation approaches have been weighed to arrive at the adopted Market Value. 50:50 has been applied between Direct Comparison Approach and Discounted Cash Flow Approach for City Center and Central Plaza. A 70:30 weighing between Direct Comparison Approach and Discounted Cash Flow Approach has been applied for Treasury Building. For the Land Value of City Center Phase 3 and Beijing Logistics Park a 50:50 weighing between Direct Comparison Approach and Residual Approach has been applied.

Central Plaza has a major ongoing upgrading programme. Outstanding refurbishment costs, fees and profit have been deducted from the final value after refurbishment.

Date of Valuation: 31 December 2009		Valuation Approach									
Property/ Project Name	Use	Direct Comparison Approach			Discounted Cash Flow Approach			Residual Approach		Gross Initial Yield	Adopted Market Value RMB Million
		Market Value RMB Million	Unit Rate (Accommodation Value) RMB/sq m <sup>b</sup>	Weight	Market Value RMB Million	Discount Rate (WACC)	Weight	Market Value RMB Million	Weight		
City Center 1-3 <sup>a</sup>	Office, Retail, Car Park & Land	6,804	N/A	50%	5,556	9.25%	50%	1,221	50%	3.21%	6,825
Central Plaza	Office, Retail & Car Park	1,692	42,061	50%	1,556	9.25%	50%	N/A	N/A	3.64%	1,604
Treasury Building	Office, Retail & Car Park	653	46,202	70%	613	8.75%	30%	N/A	N/A	4.00%	641
Beijing Logistics Park	Construction in Progress	119	1,600	50%	N/A	N/A	N/A	117	50%	N/A	118

**Notes:**

a) For City Center 1 Direct Comparison Approach and Discounted Cash Flow Approach is weighted 50:50. For City Center 2 Direct Comparison Approach is weighted 100%. For City Center 3 Direct Comparison Approach and Residual Approach is weighted 50:50.

b) Based on Plot Ratio GFA

Gross Initial Yield = Passing rent over Market Value

Passing rent includes rent received from office and retail, but excludes car park rent

N/A - Not applicable