



Through investing into investment properties including retail, offices and other commercial properties located in the Pearl River Delta region, GZI REIT strives to provide all Unitholders long-term sustainable growth and returns, and provide investors an opportunity to participate in property market in mainland of the PRC.

Benefiting from the overall progressive development of the Pearl River Delta region, including a continued influx of multinational corporations and development of the service industry, the Gross Domestic Product ("GDP") of Guangzhou Municipality grew approximately 13%, thereby creating a momentum for growth in potential demand for commercial properties. Growth in per capita income and consumption has also sped up the development of the

Guangzhou consumer market, which also benefits the large shopping malls. In 2005, the Guangzhou property market witnessed a growth in rental and property prices of around 10% and 11%, respectively; these indicators reflect the future prospects of Guangzhou property market.

Currently, the Properties are all located in Guangzhou Municipality. They include White Horse Building, Fortune Plaza, City Development Plaza and Victory Plaza, with a total gross floor area of 160,651 square metres. The Properties are all positioned in prime locations with good access to transport and major roads, and are renowned for the quality of property management and have

## Chairman's Statement

received various awards in relation to such achievements. Good service quality together with excellent facilities have resulted in these properties being well-received by tenants. Various famous multinational corporations have secured tenancies in the Properties, and occupancy rates have been growing consistently. As at 31 December, 2005, the overall occupancy rate of these properties was around 95.5%.

In order to maintain financial stability for the investment portfolio, GZI REIT has adopted a prudent approach to financial risk management, with hedged borrowings controlled at no more than 33%, with a comfortable margin compared to the allowed maximum gearing of 45% under the Hong Kong Code on Real Estate Investment Trusts ("the REIT Code").

Looking into the future, we are committed to the strategy of active value enhancement, with an eye on selective acquisition of properties with sustainable growth in return, which will include making good use of the deed of right of first refusal ("the Right of First Refusal") obtained from Guangzhou Investment Company Limited ("GZI") to further enhance the opportunities to acquire good quality property.

GZI REIT will at the same time continue to improve its own operations and its quality of corporate governance, to actively maintain a prudent approach to financial management, and to improve returns from its property portfolio through asset enhancement. With the support provided by our property consultant, Jones Lang LaSalle, the Manager will strive to improve internal control and risk management discipline, and will provide better corporate governance and investment returns to GZI REIT.

We take this opportunity to express our greatest gratitude to all directors, senior management and staff, for their dedication to the success of GZI REIT and we also take this opportunity to thank all the Unitholders, tenants and business partners for their continued support of GZI REIT.

**Liang Ningguang**

*Chairman*

Hong Kong, 18 April, 2006