

Chairman's Statement



“We are committed to achieve what we have promised”.

“We will enhance future distributions to Unitholders through quality management, pro-active leasing, asset enhancements and yield accretive acquisitions.”

To: GZI REIT Unitholders

On behalf of the board of directors (“Board”) of the Manager, I am extremely pleased to present to you the 2006 audited annual results of GZI REIT.

Currently, GZI REIT owns four properties — White Horse Building Units, Fortune Plaza Units, City Development Plaza Units and Victory Plaza Units — with a total gross floor area of approximately 160,651 square meters. All the properties are located in Guangzhou, Guangdong Province of the PRC. White Horse Building is situated at the traditional railway station cum commercial/exhibition district while the other three properties are situated in the Tianhe central business district, in core districts around the vicinity of underground railway stations.

In 2006, Guangdong Province sustained rapid economic development with its economic output ranked as the nation’s largest for the eighteenth consecutive year. Guangzhou, as the capital city of Guangdong Province, ranked third in economic output among the nation’s major cities. The city’s Gross Domestic Product (“GDP”) for 2006 exceeded RMB600 billion, representing an increase of approximately 14.4% over that of 2005, which surpassed the PRC’s national average growth rate of 10.7% by about 3.7 percentage points. GDP per capita (based on the registered resident population) exceeded US\$10,000 for the first time, and the economy rose to a new level. Benefiting from a favourable external economic environment, the real estate market in Guangzhou continued to boom, laying a solid foundation for the business development of GZI REIT.

In 2006, GZI REIT achieved a Total Distributable Income of approximately HK\$206.683 million in the year with distribution per Unit of approximately HK\$0.2067. Compared to the Forecast, the amount (denominated in HK dollars) to be distributed increased by approximately 2.8%, meeting the year’s target.

As at 31 December 2006, the average occupancy rate of the Properties improved from approximately 95.5% as at 31 December 2005 to approximately 98.8%, representing an increase of about 3.3 percentage points. Rent collection rate also achieved an impressive 100%. There was also a slight increase in the overall average rental level.

In October 2006, through almost six months of news research and selections by some 40 national media networks organized and promoted by the China Textile Industry Association, White Horse Building ranked among the top ten of "China's Most Commercially Influential Professional Market (Top 10)" is currently enjoying an extremely good reputation within the country. In December of the same year, Fortune Plaza was awarded the "National Model Building for Property Management" by the Ministry of Construction of the PRC. Guangzhou Yicheng Property Management Limited ("Yicheng"), as a front line service provider, was assessed by the Ministry of Construction of the PRC as a "Grade 1 Property Management Enterprise".

In terms of investment and financial management, GZI REIT adopted prudent financial risk management measures to ensure a financially healthy investment portfolio. As at 31 December 2006, GZI REIT's gearing ratio did not exceed 32%, against the 45% ceiling stipulated by the Code on Real Estate Investment Trusts ("REIT Code") published by the Securities and Futures Commission ("SFC"), allowing a more flexible combination of funding sources to finance future acquisitions.

Looking towards 2007, the PRC economy is expected to grow with a sustainable upward trend. According to the "China Economy Quarterly Report" issued by the World Bank during the first quarter of 2007, the PRC's GDP growth will maintain at around 9.6% in 2007. There is still potential for the RMB to appreciate in value. Overall, this macro-economic environment would benefit GZI REIT's development. However, we also recognise that while the nation's economy is growing, the central Government has implemented a series of macro-economic revision measures aimed at facilitating a healthy and sustainable development of the domestic real estate industry. This is expected to have some impact on the domestic real estate market in the short run. The supply of grade A office buildings in Guangzhou is expected to grow faster in 2007, with a new supply of shop space in the area surrounding White Horse Building. Market competition is expected to become increasingly intense and this may put some pressure on the operations of the Properties. In response, we will enhance our market research to maintain a stable tenant base and to optimize tenant mix. Simultaneously, we will strengthen our internal management to improve operational efficiency and will increase our standard of corporate governance, to achieving a sustainable increase in GZI REIT's revenue growth.

We will bear in mind that GZI REIT is the first listed REIT in the world ever to invest in real estate in mainland of the PRC. Through the investment of retail space, office buildings and other commercial properties in the economically advanced districts centered around the Pearl River Delta, GZI REIT will endeavor to provide Unitholders with sustainable and steady markets returns and to afford investors with an opportunity to participate in the domestic real estate market in the PRC. Thus, we believe that, apart from our current operations, we must fully exploit the unique and advantageous position of GZI REIT in being recognized and known in both Guangdong and Hong Kong markets and to proactively explore expansion and acquisition opportunities externally. This will help strengthen our asset scale and GZI REIT's sustainability.

We would like to take this opportunity to extend our appreciation to all our directors, senior management and staff for their contributions to the development of GZI REIT; and our appreciation to all Unitholders, tenants and business partners for their support to GZI REIT.

LIANG NINGGUANG

Chairman

Hong Kong, 12 April 2007