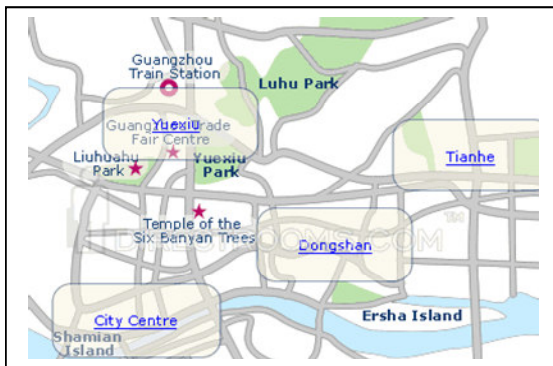




Market Overview

- Guangzhou has the third largest economy in China.
- The city experienced a GDP growth of 12.5% during 2005 in a year to year comparison.
- Guangzhou has a high concentration of trade and business activities and is the host city to the Chinese Export Commodities Fair, the world's second largest trade fair.
- Over the course of the 10th Five-Year-Plan (2000-05), Guangzhou reported total revenue of RMB 429.11 billion, accounting for one twentieth of the revenues for the central government and one third of Guangdong's provincial government.
- Per capita disposable income has increased by 30% in the past 5 years in the province of Guangdong.



Map of Guangzhou's main districts

Recent Local Development

- FDI actually used during the first 11 months of 2005 amounted to US\$2.44 billion.
- The Municipal Government of Guangzhou will promote ten key industries during 2006 to attract 1000 foreign-invested projects.
- Eurobiz Magazine proposed a restructuring project to transform the city of Guangzhou into a global logistic hub and an international center for cargo and passengers.

Real Estate Market Summary

- The Pearl River Delta (PRD) region is expected to experience the largest real estate development growth.
- Strong demand from MNCs and domestic companies is the driving force for the construction of prime office space.
- Tianhe remains the most sought after Grade A office district.

Major Office Districts

- Tianhe
- Yuexiu
- Dongshan
- Pazhou & Liwan



Central Business District in Guangzhou

Office Market

- Average Grade A office rental rates in the CBD remained stable at US\$1.35 per sq. ft. per month.
- Average Grade A vacancy in the CBD decreased to 8.8% while off-CBD office vacancy remained at 15.7%.
- The new supply of office space during 2006 is expected to be over 8.6 million square feet.
- As of 1Q'06, the Grade A office space stock was 11.8 million sq. ft.

Office Rental Rates

(US\$/ sq. ft/ month)

Location	Average Rent	Vacancy
CBD*	1.35	8.8%
Off-CBD	1.15	15.7%

* Only applies to Grade A office space

Industrial Zones

- Nansha Development Zone
- Guangzhou Development Zone
- Zengcheng Xingtang Industrial Processing Zone
- Guangzhou Pearl Industrial Park

Transnational Corporations operating in Guangzhou Industrial Zones

- P&G
- KRAFT Food Co.
- Mitsubishi Electric Corp.
- Pfizer Inc.
- Ericsson Telecom AB
- LG

Retail

- New prime retail space will be available in the centric district of Tianhe when The International Finance Place is completed. This office building will add over 100,000 sq. ft. of retail space to Tianhe District.
- Metro Cash & Carry, a leading international self-service wholesaler, opened its first store in Guangzhou.
- Grandbuy will open a 375,000 sq. ft. in Zhongyi Fashion Plaza (Tianhe District) by the end of 2006.
- The recently completed Metro Line 3 provides convenient access to Tianhe district, making it an attractive location to retailers.

New CBD for the 21st Century

- Pearl River New City will combine finance, trade, commerce, recreation and administration in a single district.
- 70% of the new space will be used for office buildings for large financial institutions and headquarters of large corporations.
- The district will house ten Class A buildings, including Huapu Plaza, Poly Building, Xinghui International Building, which have already been built.
- Landmark buildings such as the Guangzhou Opera House and Guangzhou Library will be completed by 2010.

Industrial

- Guangzhou remains the most competitive city in the PRD and South China.
- Construction has started at the site of the future FedEx Asian Pacific transport hub at the Guangzhou Baiyun Airport. The facility is expected to start operations by October 2008.
- Some of the industries driving the local market will be logistic companies, tourism, transportation of goods and passengers, auto making and shipbuilding.
- Proactive governmental support has created a positive investment environment for foreign corporations in Guangzhou.



Inside a shopping mall in Guangzhou



Latest expansion to Guangzhou's highway system.



Guangzhou Port is the biggest port in South China

Labor Force

- Guangzhou attracts a wide variety of skilled workers that satisfies the demand of different industries.
- As of 1Q'06, the skilled labor force exceeded one million people.
- There are 37 institutions of higher learning in the province, such as Zhongshan University and Jinan University, with over 250,000 students.
- More than 200 secondary vocational and technical schools with over 210,000 pupils.
- Over 20,000 postgraduates work in 20 postgraduate research units.
- One hundred and ninety-two independent scientific research and development institutions.
- Labor costs for one worker including wages, welfare and insurance is about 12-20 RMB per hour.* (Approximately US\$1.50-\$2.50 per hour as per exchange rate of May 1, 2006)

* Source: Guangzhou Municipal Government

Logistics

- Twelve new highways will be built in the next five years to connect the Guangzhou Baiyun International Airport to neighboring provinces.
- Guangzhou Port ranks among the 10 largest world ports.
- Guangzhou New Baiyun International Airport is one of the three main airports in China. It plans to double its capacity by 2009.
- Roads, train and ferry services connect Guangzhou to neighboring provinces.

Outlook 2006

- **Office:** There will be a significant increase in the Grade A office stock that will continue until 2009. We anticipate the new supply of office space will face a robust demand resulting in strong office absorption.
- **Industrial:** Land regulation for commercial purposes will continue during 2006. With limited land supply, the prices for commercial land are expected to increase.
- **Retail:** The limited supply of new office space will drive up rental rates for available retail space. Guangzhou will remain an attractive market for retailers based on the positive economic outlook for the province.

Short Term Outlook

Rental Rates

Office	↑
Industrial	↑
Retail	↑