GZI Real Estate Investment Trust
越秀房地產投資信託基金

(a Hong Kong collective investment scheme under section 104 of the Securities and Future Ordinance <chapter 571 of the Laws of Hong Kong>)

(Stock Code: 00405)

2008 ANNUAL REPORT

MANAGER

越秀房託資產管理有限公司

GZI REIT Asset Management Limited


白馬大

Contents

Profile of GZI Real Estate Investment Trust ("GZI REIT")

GZI REIT is a Hong Kong real estate investment trust constituted by a trust deed entered into on 7 December 2005 ("Trust Deed") between HSBC Institutional Trust Services (Asia) Limited as the trustee ("Trustee") and GZI REIT Asset Management Limited as the manager of GZI REIT ("Manager") as modified by a First Supplemental Deed Dated 25 March 2008 and made between the same parties. GZI REIT was listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 21 December 2005 ("Listing Date").

GZI REIT's property portfolio ("Properties") consists of five commercial properties located in Guangzhou and GZI REIT is the first listed real estate investment trust in the world which invests in real property in mainland of the People's Republic of China ("PRC").

March 2009 Publication of 2008 Annual Report

May 2009 Payment of final distribution for 2008

May 2009 2008 Annual General Meeting

August 2009 Publication of 2009 Interim Report

October 2009 Payment of distribution for six-month period ended 30 June 2009

March 2010 Publication of 2009 Annual Report

May 2010 Payment of final distribution for 2009

TOTAL DISTRIBUTABLE INCOME FOR THE YEAR

The Total Distributable Income (as defined in the Trust Deed) of GZI REIT to the unitholders of GZI REIT ("Unitholders") for the Reporting Year amounted to approximately HK$262,113,000 (2007: HK$225,867,000), representing distributable income per unit of GZI REIT ("Unit") of approximately HK$0.246 (2007: HK$0.2258).

In accordance with the Trust Deed, the Total Distributable Income is defined as the amount, calculated by the Manager, as representing the consolidated audited profit after tax of GZI REIT for the distribution period as adjusted for accounting purposes to eliminate the effects of certain accounting adjustments which have been recorded in the consolidated income statement.

The Manager has calculated the Total Distributable Income in respect of the Reporting Year based on GZI REIT's consolidated profit after tax before transactions with the Unitholders for the Reporting Year and has made adjustments to eliminate the effects of changes in fair values of investment properties, deferred tax change and adjustments in accordance with the generally accepted accounting principles in Hong Kong which increase those recorded under generally accepted accounting principles in the PRC on which the accounts of cash available for distribution is based as they appear in the consolidated income statement of GZI REIT.

DISTRIBUTION

In accordance with the Trust Deed, GZI REIT is required to distribute no less than 90% of Total Distributable Income to the Unitholders. The Manager's policy is to distribute to the Unitholders 100% of GZI REIT's Total Distributable Income for each of the 2006, 2007 and 2008 financial years and thereafter at least 90% of Total Distributable Income in each financial year.

The Manager has resolved to declare a final distribution to the Unitholders for the period from 1 July 2008 to 31 December 2008 ("2008 Final Period') of HK$0.1226 (2007: HK$0.1151) per Unit. This represents the balance of a 100% distribution of GZI REIT's Total Distributable Income for the Reporting Year, and an additional amount which will be provided out of the surplus funds of GZI REIT. The final distribution amount together with the interim distribution of GZI REIT for the six-month period from 1 January 2008 to 30 June 2008 ("2008 Interim Period") of HK$0.1234 (2007: HK$0.1107) per Unit represented distribution of approximately HK$0.246 (2007: HK$0.2258) per Unit for the Reporting Year.

The final distribution amounting to approximately HK$130,700,000, in aggregate, is scheduled to be paid on 20 May, 2009.

UNITHOLDERS' ENTITLEMENTS AND ASSETS ATTRIBUTABLE TO UNITHOLDERS

Unit	**Financial Year ended 31 December 2008**	**Financial Year ended 31 December 2007**	**Percentage increase/(decrease) compared to 2007**
Distribution per Unit	**HK$0.246**	HK$0.2258	8.9%
Earnings per Unit	**HK$0.22**	HK$0.36	(38.9%)
Distribution yield per Unit based on offer price of HK$3.075	**8.00%**	7.34%	0.66%
Distribution yield per Unit based on closing price at year end date	**13.74%**	7.33%	6.41%
Net assets attributable to Unitholders per Unit	**HK$3.77**	HK$3.53	6.8%
Units in issue	**1,065,972,687 units**	1,000,000,000 units	6.6%
Steady Income			
Net profit after tax before transactions with unitholders	**HK$232.973 million**	HK$364.283 million	(36.0%)
Net property income	**HK$436.391 million**	HK$352.924 million	23.7%
Gross income	**HK$495.686 million**	HK$402.012 million	23.3%
Prudent Capital Management			
Total borrowings as a percentage of gross assets (Note a)	**32%**	25%	7%
Gross liabilities as a percentage of gross asset (Note b)	**37%**	32%	5%

Note a: Total borrowings are calculated based on bank loan, but excluding capitalization of debt-related expenses.

Note b: Gross liabilities are calculated based on total liabilities, but excluding capitalization of debt-related expenses and net assets attributable to Unitholders.

Dear GZI REIT Unitholders,

On behalf of the board of directors of GZI REIT Asset Management Limited, as the Manager of GZI REIT, I am pleased to present to you the 2008 annual report of GZI REIT.

MARKET REVIEW

In the fourth quarter of 2008, economic growth in the Mainland China apparently slowed down due to the global financial crisis, though the overall economy still maintained relatively steady growth.

Compared with the overall economy in China, economic development in Guangzhou was relatively faster. In 2008, Guangzhou's GDP amounted to approximately RMB821.582 billion, representing a year-on-year growth of 12.3%, ranking third among all major cities nationwide in terms of economic aggregate. Both of the GDP growth and per capita GDP of Guangzhou were higher as compared to tier-one cities in China, including Beijing and Shanghai.

In 2008, total investment amount for real estate development in China for the whole year was RMB3,000.06 billion, representing a year-on-year increase of 20.9%. Selling price of housing properties in 70 medium to large cities recorded a year-on-year decrease of 0.4% in December 2008. A significant adjustment to the real estate market was evidenced in the year-on-year decrease of 9.4 percentage points in the new housing price index of Guangzhou.

The properties comprising the property portfolio of the GZI REIT were all located at the core business district in Guangzhou. With proactive asset management measures adopted by the Manager, both the occupancy rate and average rental of the properties maintained a steady and healthy development trend.

RESULTS AND DISTRIBUTION

In 2008, GZI REIT achieved a total distributable income of approximately HK$262,113,000 for the whole year, with the distributable amount per unit of approximately HK$0.246. Based on the closing price of HK$1.79 per unit on 31 December 2008, the distribution rate was 13.74%, representing an increase of 8.9% when compared with the distribution of HK$0.2258 per unit during the same period last year. Based on the offer price of HK$3.075 per unit at the listing in 2005, the distribution rate was 8%, representing a year-on-year increase of 0.66%.

As at 31 December 2008, GZI REIT owned five properties, namely portions of White Horse Building ("White Horse Building"), Fortune Plaza ("Fortune Plaza"), City Development Plaza ("City Development Plaza"), Victory Plaza ("Victory Plaza") and Yue Xiu Neo Metropolis Plaza ("Yue Xiu Metropolis") ("Properties"), with a total leased out area of 207,073 square meters. The overall occupancy rate of the Properties maintained a comparatively high level of 98.1%, representing a year-on-year increase of 0.7 percentage point.

In 2008, GZI REIT had a total rental income of approximately HK$495,686,000, increased by 23.3% from HK$402,012,000 of the same period last year. Excluding the Yue Xiu Metropolis newly acquired in June 2008 and the 1701 East Tower of the Fortune Plaza ("Fortune 1701") with an area of approximately 999 square meters, newly acquired in August 2008, the total operating income in 2008 was approximately HK$462,600,000, representing a year-on-year increase of approximately 15.1%, or HK$60,588,000. The rent collection rate continued to remain at 100%.

OPERATION REVIEW

In 2008, the Manager continued to adopt proactive asset management strategies for the Properties of GZI REIT. With the Manager's continuous effort to enhance the operation potential and market competitiveness of the portfolio, the Properties continued to maintain a relatively high occupancy rate and operating income, increasing the overall return of the Properties.

White Horse Building: In view of intensive market competition, the Manager continued to increase investment resources to consolidate its leading position in the apparel industry. At the end of 2008, the occupancy rate was 100%, representing a year-on-year increase of 0.8 percentage point, while rental income was relatively stable. The Manager has promptly adjusted its operation and leasing strategy to smooth the tenant entry mechanism to attract prominent and high quality new tenants. The Manager also optimised the layout and commercial position of certain floors in the building. Furthermore, we have invested over RMB10 million to pursue asset enhancement projects actively in order to enhance the quality and competitiveness of the property.

Victory Plaza: In 2008, operating environment improved significantly with the completion of the projects for the surrounding area of Victory Plaza. The Manager seized the favourable opportunity to increase marketing efforts to effectively optimise the tenant structure of the property through the introduction of high quality tenants such as banks and chain outlets for international designer brands, resulting in an increase in the occupancy rate to 99.4% at the end of 2008 from 92.4% for the same period last year. The average rental (in RMB) per unit of the property also increased significantly by 14.58% as compared to the same period last year, enhancing the value of the property.

Fortune Plaza and City Development Plaza: The two properties continued to achieve satisfactory operating results, recording high occupancy rate throughout the year. Their occupancy rates were 98.5% and 97.7% respectively at the end of 2008. Under the changing economic environment, the Manager strengthened customer relationship management by active retention of quality tenants and supporting expansion in leases by quality tenants, resulting in an increase in the average rental per unit of the properties by 4.22% and 12.33% respectively as compared to the same period last year. Rental value grew significantly.

Yue Xiu Metropolis: It is a project newly acquired by GZI REIT in June 2008. Accordingly, the Manager has actively involved in the operation management before and after the acquisition, and effectively introduced several famous tenants including education and training institutions, resulting in a significant increase in the occupancy rate to 95.6%. Through sound property management, the Yue Xiu Neo Metropolis Plaza was awarded the honourable titles of "Exemplary Building of Quality Property Management in Guangzhou" and "Exemplary Building of Quality Property Management in the Guangdong Province" by the government authorities in 2008, indicating that the property is gradually displaying its influence.

INVESTMENT AND WEALTH MANAGEMENT STRATEGIES

The Manager will adhere to proactive and prudent principles of investment and wealth management. The Manager believes that the adjustments made to the domestic real estate market in 2008 not only facilitate the long-term healthy development of the industry, but also bring us investment opportunities. With tightening global monetary markets and the slowdown of China's economic growth, it is expected that there will be increasingly more attractive acquisition opportunities. The Manager will fully appraise the market conditions and capital market conditions in the best interest of the Unitholders for prudent consideration and capturing of investment opportunities.

In February 2008, upon the Unitholders' approval, GZI REIT expanded its investment coverage from Guangdong Province to the whole country including Hong Kong and Macau, so as to benefit from the economic growth of different areas. In June 2008, the Manager completed the acquisition of the Yue Xiu Metropolis from its parent company, GZI (stock code: 0123), resulting in a 38.5% increase in the area of the property portfolio. In July 2008, GZI REIT acquired Fortune 1701 through public auction and its property portfolio was enriched.

Starting from the third quarter of 2008, amidst the gloom of the international financial tsunami, the credit environment was hardly optimistic. The Manager overcame difficulties and arranged a syndicated loan successfully. On 6 November 2008, GZI REIT entered into a loan agreement with several banks for a 3-year fixed term floating rate secured loan of HK$2.1 billion through special purpose vehicles to secure additional financing.

At the end of 2008, the ratio of GZI REIT's total borrowings to total assets was 32%, maintaining a reasonable room from the maximum cap of 45% required by the Hong Kong Code on Real Estate Investment Trusts ("Reit Code"). The comparatively low gearing ratio will also facilitate the acquisition of properties from third parties.

PROSPECTS

Looking ahead, it is expected that uncertainties including the continuous slowdown in global economy and fluctuations in global financial markets will remain. The effects of international financial turmoil on the economy of Mainland China will be more obvious in 2009. Even with the solid foundation in its economy, domestic economic conditions of China in 2009 is expected to remain tough.

Amid the overall unfavourable economic environment in 2009, the office leasing market in Guangzhou is to be affected. Nevertheless, as all office properties under GZI REIT are located in the center of the business zone in Guangzhou and we will initiate positive operation measures, it is expected that the influence on our property rental revenue will be minimized. We also note that various levels of the government in Mainland China have initiated a large quantity of funds and implemented policies in order to boost its domestic demand, ensuring a promising development in its economy. It is anticipated that the operation of retail properties under GZI REIT, especially the White Horse Building, will remain a steady development.

We believe that with the Manager's professional property management team and cost control measures, GZI REIT is able to carry out effective responding measures to ensure stable operations of the Properties. Meanwhile, we will proactively explore further investment opportunities in order to expand our assets and achieve higher investment returns for the best interests of the Unitholders.

APPRECIATION

With its proactive and prudent operation strategies as well as its sound performances, GZI REIT was honoured as a Hong Kong Outstanding Enterprise by Economic Digest in December 2008. I would take this opportunity to thank the management team of the Manager, property managers of GZI REIT and our Board of Directors for their outstanding contribution. I would also like to express my gratitude to the Unitholders for their consistent support and trust to GZI REIT.

LIANG NINGGUANG
Chairman

Hong Kong, 12 March 2009

OPERATION REVIEW

2008 was a challenging year. Heavy snowstorms and earthquakes occurred in Mainland China in the 1st half of the year followed by the global financial crisis triggered by the U.S. subprime mortgage problems. Amid these challenging times, GZI REIT delivered strong results during the Reporting Year. Through the Manager's professional expertise, the occupancy rates and the average rental level of the Properties continued to increase. As a result of proactive leasing management, the tenant mix of the Properties were further optimized and each of the Properties began to develop its own special character. A breakthrough was made in investment and acquisition during the year.

High Occupancy

As of 31 December 2008, GZI REIT had a total of five properties, namely, White Horse Building, City Development Plaza, Fortune Plaza, Victory Plaza and Yue Xiu Metropolis, which are all located in Guangzhou City, Guangdong Province, PRC, with a total gross floor area of approximately 223,614.3 square meters and a total gross rentable area of approximately 211,031.1 square meters.

As at 31 December 2008, the overall occupancy rate of the Properties was 98.1%, representing an increase of 0.7% as compared with the rate of 97.4% for last year. Occupancy rates of Victory Plaza and the newly acquired Yue Xiu Metropolis increased relatively substantially from 92.4% at the end of 2007 to 99.4%, representing an increase of 7 percentage points and from 88.8% before the end of May 2008 to 95.6%, an increase of 6.8 percentage points respectively. The occupancy rates of White Horse Building, Fortune Plaza and City Development Plaza were 100%, 98.5% and 97.7% respectively.

The following table provides a comparison of the occupancy rates of the Properties for the Reporting Year against those of the previous year:

Name of property	**Occupancy rate as at 31 December 2008**	**Occupancy rate as at 31 December 2007**	**Percentage increase/(decrease) compared to 31 December 2007**
White Horse Building	100.0%	99.2%	0.8%
Fortune Plaza	98.5%	98.8%	(0.3%)
City Development Plaza	97.7%	97.3%	0.4%
Victory Plaza	99.4%	92.4%	7.0%
Yue Xiu Metropolis	95.6%	N/A	N/A
Total	**98.1%**	**97.4%**	**0.7%**

Record High Operating Income

During the Reporting Year, the Properties realized total rental income of approximately HK$495.7 million, representing an increase of approximately HK$93.7 million over the previous year. The growth rate was approximately 23%. Without taking into account Yue Xiu Metropolis and the unit on 17th floor of the East Tower of Fortune Plaza ("Fortune 1701"), which were newly acquired during the year, total rental income amounted to approximately HK$462.6 million, representing an increase of approximately 15% or HK$60.6 million over the previous year. Yue Xiu Metropolis contributed rental income of approximately HK$33.1 million for the period from 1 June 2008 to 31 December 2008.

White Horse Building remained the core investment of GZI REIT. During the Reporting Year, White Horse Building accounted for approximately 60% of total rental income of the Properties. Fortune Plaza, City Development Plaza, Victory Plaza and Yue Xiu Metropolis accounted for approximately 12%, 11%, 10% and 7% respectively. Without taking into account the revenue from the newly acquired Yue Xiu Metropolis Plaza and Fortune 1701 recorded during the year, White Horse Building accounted for 64% of the aggregate operating income of the trust.

During the Reporting Year, the rent collection rate was approximately 100% and no bad debts were recorded for three years in a row.

The following table sets out a comparison of rental income in respect of all the Properties between the Reporting Year and the same period of the previous year:

Name of property	**Rental income for 2008** *(HK$ million)*	**Rental income for 2007** *(HK$ million)*	**Increase/(decrease) compared to 2007 rental income for 2008** *(HK$ million)*	**Percentage increased/ (decreased) of rental income from property**
White Horse Building	298.1	267.4	30.7	11.5%
Fortune Plaza	60.9	51.6	9.3	18.0%
City Development Plaza	54.9	45.1	9.8	21.7%
Victory Plaza	48.7	37.9	10.8	28.5%
Sub-total	462.6	402.0	60.6	15.1%
Yue Xiu Metropolis (Note 1)	33.1	—	33.1	N/A
Total	**495.7**	**402.0**	**93.7**	**23.3%**

Note 1: Only seven-month rental income was obtained in the 2008 reporting year as the acquisition of Yue Xiu Metropolis was completed on 1 June 2008.

Bellwether – White Horse Building

In 2008, the Manager and White Horse Building's front-line service provider, White Horse Property Management Company Limited ("White Horse Property Manager") proactively managed keen competition from nearby apparel wholesale and distribution centres and other emerging markets and carried out substantial asset enhancement projects to White Horse Building to increase its overall competitiveness, stabilize the operations of tenants and strengthen its leading position in the Guangzhou and national apparel wholesale markets.

Innovative Marketing and Promotion. In 2008, White Horse Building still focused on strengthening its leading position in the apparel wholesale markets as its marketing objective. Stress was laid on the key points in respect of marketing to bring about innovation and change: Apart from continuing to organize conventional "trump card" marketing activities such as the "2nd Guangzhou White Horse Procurement Fair" and "Brand of the Year Award" which stimulated sales, it also actively assisted tenants in developing new marketing channels, exploring e-commerce platforms and establishing sales network so as to enhance their marketing capabilities.

Improve Tenant Mix. As far as the business environment and management standard are concerned, White Horse Building has very strong competitiveness. Tenants quality is an important factor. To warrant the quality of tenants in the mall, the Manager and White Horse Property Manager have established a tenant entry review system and set entry requirements in such aspects as brand names and scale of operations so that all newly introduced tenants have relatively strong capabilities for brand operation, production and marketing. For the relatively poorly located areas within the building with less than optimal operational conditions, the Manager has conducted special studies and as a result re-adjusted the floor plan and tenant mix, thus improving the operating conditions of such areas and enhancing the confidence of tenants in the mall.

Proactive Leasing Strategy

For Victory Plaza, City Development Plaza and Fortune Plaza, we have actively introduced premium tenants, continually optimized the tenant mix and increased the asset value.

With unrestricted access to Victory Plaza due to the re-opening of Ti Yu Xi Road in front of and completion of the two office towers above the mall and a gradual increase in the occupancy rate of the two towers, the operating environment surrounding Victory Plaza has been improving gradually. By taking advantage of this opportunity, we have renovated the façade and the internal signage system of the project, thus improving the image of the plaza. We have also placed emphasis on optimizing the tenant mix of the first level of the plaza and successfully introduced premium tenants such as ICBC, with its rental rates increased by 75% over the previous leases. In December 2008, overall average rental of the building increased by 14.58% over the previous year. Operating income increased significantly by 28.45% over the previous year.

The overall operation of the two office projects of City Development Plaza and Fortune Plaza has been smooth. The average occupancy rate for the full year has remained at above 97%. The occupancy rate for the second quarter was close to 100%. City Development Plaza has focused on thoroughly exploring the expansion potential of original major tenants, adjusting the tenant mix and stabilizing major tenants, and realized the plant of major tenants, E-Fund and Taikanglife, for expanding leased areas. In December 2008, the rental unit price increased by 12.3% over the same period of the previous year, hitting a historical peak. Fortune 1701, with a gross floor area of approximately 999 sq.m. newly purchased in July this year was also leased to a World Top 500 company in November. Currently, the tenants of City Development Plaza and Fortune Plaza are large listed companies and foreign enterprises and the tenant mix is sound.

Yue Xiu Metropolis is a commercial complex newly acquired on 1 June 2008. The occupancy rate before acquisition (May 2008) was 88% and the vacant area is approximately 5,500 sq.m. To increase the occupancy rate as soon as possible to realize the acquisition objective, the Manager, in conjunction with the front-line service provider Yicheng Property Management Ltd ("Yicheng"), have proactively engaged in preliminary business invitation planning and management to further step up efforts in external promotion, strengthen the marketing team, increase investment in business invitation, thus making a major breakthrough in the occupancy rate. The occupancy rate as at the end of December was 95.6%. Yue Xiu Metropolis recognized operating income of approximately HK$33.1 million for the period from June to December 2008, achieving the established revenue target of the acquisition.

Investment

During the year, the Unitholders approved GZI REIT's expansion of its geographical scope of investment to the entire PRC (including Hong Kong, Macau, and the Mainland China). To conduct investment and acquisition actively and reliably was an important development strategy of GZI REIT. Through the acquisition of new projects, GZI REIT expanded the asset scale, optimized property portfolios, diversified operation risks, improved management efficiency and increased its competitiveness and influence, which brought sustained, stable and growing returns for investors.

Yue Xiu Metropolis. On 1 June 2008, GZI REIT acquired Yue Xiu Metropolis with an area of approximately 61,964 sq.m. for a total consideration of approximately HK$677.3 million, increasing its property portfolios to five. The total gross floor area of the Properties increased by 38.5% to 222,615 sq.m., which increased the asset scale. Meanwhile, this facilitated a reduction in the proportion of rental income from White Horse Building and mitigated the risk of excessive concentration of rental income in a single project.

Fortune 1701. GZI REIT acquired Fortune 1701 with a gross floor area of approximately 999 sq.m., through a public auction for the consideration of RMB15.5 million via Guangzhou Jieyacheng Properties Co. Ltd. on 14 July 2008. As a result, the gross floor area of properties acquired by it of Fortune Plaza increased from the original 40,356.2 sq.m. to 41,355.2 sq.m. and increased as a percentage of the total gross floor area of the building from 50.2% to 51.4%.

Prudent Financial Management

The agreement entered into by GZI REIT via special purpose vehicles ("SPVs") with certain banks on 7 December 2005 in respect of a three-year secured loan facility of US$165 million and the agreement entered into with the Hongkong and Shanghai Banking Corporation on 1 June 2008 in respect of a floating-rate secured bridge loan facility of HK$485 million were due on 21 December 2008. Amidst the global financial turmoil and tightening credit, the Manager successfully arranged a club financing for GZI REIT. On 6 November 2008, GZI REIT entered into a loan agreement with certain banks via SPVs in respect of a three-year secured floating-rate term loan of HK$2.1 billion. The new loan was drawn down on 12 November 2008. The funds of the new loan facility were used primarily for refinancing the existing banking facilities of US$165 million and HK$485 million, simultaneous termination of the relevant swap contracts and financing the fees and expenses incurred by GZI REIT in connection with the new loan facility and/or the general working capital requirements. As at 31 December 2008, total bank borrowings of GZI REIT were approximately HK$2.048 billion (total borrowings were calculated as the capitalization of bank borrowings less debt-related expenses), representing 32% of total assets, against the 45% ceiling stipulated by the Code on Real Estate Investment Trusts ("REIT Code").

Asset Enhancement

The implementation of assets enhancement is an important means to maintain and improve competitiveness of the Properties.

GZI REIT has invested a total of approximately HKD32.65 million in the renovation and upgrading of the Properties since it was listed three years ago. Just in 2008 alone, GZI REIT incurred renovation expenses of approximately HKD15.84 million. Given its relatively long useful life and the fact that it is the focus for property operations of GZI REIT, White Horse Building has become the focus for renovation works. In the first half year, we completed renovation of the ground of the lobby on the first floor and improved the image of the lobby, upgrading the shopping mall. In the second half year, we also completed the renovation of the power supply and distribution system of the building. While increasing the safety level, this improved power supply, which facilitated the appreciation of the property.

As for Victory Plaza and other projects, the Manager will formulate comprehensive repair and maintenance plans with front-line operators Yicheng Property Manager to upgrade the hardware of the buildings.

Distribution Yield

The Properties performed well during the Reporting Year with distribution per Unit ("DPU") exceeding year 2007 by 8.9% at HK$0.246 (2007: HK$0.2258).

Based on the closing price of the Units as at 31 December 2008 of HK$1.79, the DPU for the Reporting Year represents a yield of 13.74%. Using the offer price as at the Listing Date of HK$3.075 ("Offer Price"), the DPU represents a yield of 8.00% (2007: 7.34%).

Net Asset Value

The net assets attributable to the Unitholders per unit as at 31 December 2008 was approximately HK$3.77 (2007: HK$3.53), which represents an increase of approximately 6.8%. The total net tangible assets attributable to Unitholders per Unit as at 31 December 2008 was approximately HK$3.603 (2007: HK$3.365), which represents an increase of approximately 7.07%.

The increase in the net asset value per Unit was mainly attributable to the increase in the net profit after tax and before fair value loss on investment properties and transactions with the Unitholders of approximately HK$266.869 million (2007: HK$225.867 million) of GZI REIT during the Reporting Year and the increase in exchange rate makes the original four Properties' net asset value increase to approximately HK$4,953.6 million (2007: HK$4,695.5 million) as at 31 December 2008.

UNIT ACTIVITY

On completion of the acquisition of Yue Xiu Metropolis, 65,972,687 consideration units were issued on 2 June 2008. As at 31 December 2008, a total of 1,065,972,687 units were in issue.

Market price of the Units was relatively volatile during the Reporting Year and the percentage fluctuation was 60% below the Offer Price of HK$3.075.

The Unit price of GZI REIT reached a high of HK$3.11 and a low of HK$1.23 during the Reporting Year. The average volume of trade amounted to approximately 1,746,000 Units per day during the Reporting Year.

The closing price of the Units as at 31 December 2008 was HK$1.79, representing a discount of approximately 42% as compared to the Offer Price of HK$3.075. This represents a discount of approximately 53% as compared to the net assets attributable to unitholders per Unit as at 31 December 2008.

FINANCIAL RESULTS

The Properties continued to perform steadily during the Reporting Year. GZI REIT's consolidated net profit after tax before transactions with the Unitholders amounted to approximately HK$232.973 million (2007: HK$364.283 million).

Excluding the effect of fair value loss on investment properties, GZI REIT's consolidated net profit after tax during the Reporting Year amounted to approximately HK$266.869 million (2007: HK$225.867 million), representing an increase of approximately 18.15%. The following is a summary of GZI REIT's financial results during the Reporting Year:

	2008	2007	% of Increase/ (Decrease)
	HK$'000	HK$'000	
Gross income	495,686	402,012	23.30%
Leasing agents' fee	(16,944)	(13,407)	26.38%
Property related taxes (Note 1)	(37,653)	(31,315)	20.24%
Other property expenses (Note 2)	(4,698)	(4,366)	7.60%
Total property operating expenses	(59,295)	(49,088)	20.79%
Net property income	436,391	352,924	23.65%
Withholding tax	(47,045)	(38,469)	22.29%
Manager's fees	(32,158)	(26,163)	22.91%
Trustee's fees	(1,907)	(1,558)	22.40%
Other trust expenses (Note 3)	(13,480)	(15,475)	(12.89)%
Total non-property expenses	(94,590)	(81,665)	15.83%
Net profit before finance costs, interest income and tax	341,801	271,259	26.01%
Interest income	5,159	7,466	(30.90)%
Finance costs	(68,729)	(52,858)	30.03%
Net profit before tax	278,231	225,867	23.18%
Income tax expenses	(11,362)	—	—
Net profit after tax before fair value (loss)/gain on investment properties	266,869	225,867	18.15%
Fair value (loss)/gain on investment properties	(33,896)	138,416	(124.49)%
Net profit after tax before transactions with Unitholders	232,973	364,283	(36.05)%
Transactions with Unitholders:			
Distributions paid to Unitholders	131,541	110,700	18.83%
Final distribution declared	130,700	115,100	13.55%

Note 1 On 31 December 2008, the State Council of the People's Republic of China abolished the "Provisional Urban Real Estate Tax Regulations of the People's Republic of China" ("Provisional URET Regulations") such that with effect from 31 December 2008, foreign-invested enterprises or direct foreign-invested properties were subject to the "Provisional Regulations Governing Real Estate Tax of the People's Republic of China" (Guofa No. 80 of 1986) ("Provisional RST Regulations"). The GZI REIT had been paying urban real estste tax under the "Provisional URET Regulations" up to the end of 2008. The Manager is clarifying with the relevant PRC tax authorities on the application of the "Provisional RST Regulations" to foreign-invested enterprises and direct foreign-invested properties. Up to the date of this report, the tax position remains unclear such that the Board is not in a position to ascertain or quantify the financial impact of the change in tax law/policy on GZI REIT at this stage. Further details of the financial impact to the GZI REIT as a result of the recent change in tax law/policy after appropriate lease restructuring, if any, will be published by way of announcement as soon as practicable after the position has been clarified.

Note 2 Other property expenses included valuation fee, insurance premium, depreciation and bank charges incurred at the level of the Properties.

Note 3 Other trust expenses included audit fees, legal advisory fees, printing charges, company secretarial fees, unit registrar's fees, listing fees, exchange difference and miscellaneous expenses.

Gross income and net property income during the Reporting Year were approximately HK$495.686 million (2007: HK$402.012 million) and HK$436.391 million (2007: 352.924 million) respectively, which represents an increase of 23.30% and 23.65% respectively while comparing with 2007.

Gross income included rental income of approximately HK$487.787 million (2007: HK$395.918 million) and other income of approximately HK$7.899 million (2007: HK$6.094 million) which included advertising income, administrative charges for new leases and late settlement.

Net property income amounted to approximately HK$436.391 million (2007: HK$352.924 million), representing approximately 88% of total gross income, after deduction of property related taxes, leasing agent's fees and other property operating expenses.

An increase of net property income is mainly due to an appreciation of Renminbi and an increase of the rental income for the renewal and the newly signed tenancy agreements. The average rental income per square metre of the original four scheme properties in December 2008 is RMB215.97 (December 2007: RMB210.59) which represents an increase of 2.6%. The average rental income per square metre of five premises is RMB185.06.

The fees of the Manager and the Trustee increased by approximately 22.91% and 22.4% respectively as a result of the increase in total assets and net property income.

Interest income amounted to approximately HK$5.159 million (2007: HK$7.466 million), which represented a decrease of approximately 31%. This was attributable to the general decrease in deposit rates in the Reporting Year and even no interest income from deposits maintained in Hong Kong. On the other hand, the Manager negotiates with the relevant bank in Guangzhou to obtain a relatively favourable interest rate for rental deposits in Renminbi.

Renminbi has been appreciating in value since the beginning but then stablised in the 2nd half of the Reporting Year and for the purposes of preparing the consolidated income statement of GZI REIT, the Manager has applied an exchange rate of RMB0.8897 to HK$1, representing an average exchange rate during the Reporting Year.

Property Valuation

A valuation of the Properties has been performed by VigersAppraisal And Consulting Ltd ("Vigers'), the new Principal Valuer of GZI REIT appointed by the Trustee to succeed Colliers International (Hong Kong) Limited on its retirement pursuant to the provisions of the REIT Code. According to the valuation, the total value of the four original properties as at 31 December 2008 amounted to approximately HK$4,953.6 million (2007: HK$4,707.7 million including new addition of investment properties (installation of new electrical supply cable in the new cable tray) amounting to approximately HK$12.24 million), representing an increase of 5.2% as compared with the valuation as at 31 December 2007. The value of Yue Xiu Metropolis which were acquired in 2008 increased by 1.3% over the consideration, but the value of Fortune 1701 decreased by 1.6% over its consideration.

Approximately 4.65% of the increase in the valuation is attributable to the appreciation of Renminbi in the Reporting Year and the Manager's adoption of the exchange rate of RMB0.8819 to HK$1 as at the date of the consolidated balance sheet of GZI REIT. However, the fair value loss of the Properties amounted to approximately RMB30.2 million.

The following table summarizes the valuation of each of the Properties as at 31 December 2008 and 31 December 2007:-

	Valuation as at 31 December 2008	**Valuation as at 31 December 2007**	**Percentage increase/decrease(-)**
	RMB million	RMB million	
White Horse Building	2,851.5	2,811.4[1]	1.43%
Fortune Plaza	570.6	601.8	-5.17%
City Development Plaza	408.0	428.1	-4.70%
Victory Plaza	537.5	566.4	-5.10%
	4,367.6	4,407.7	-0.91%
Yue Xiu Metropolis	660.0	650.0[2]	1.5%
Fortune 1701	15.9	16.0[3]	-0.6%
	5,043.5	5,073.7	-0.6%

1 The amount includes the valuation of White Horse Building as at 31 December 2007 and the new addition of investment properties (Installation of new electrical supply cable) increased at 2008, amounting approximately RMB10,800,000.

2 The value of Yue Xiu Metropolis when it was transferred to GZI REIT on 1 June 2008.

3 The auction price and expenses in respect of Fortune 1701 in August 2008.

	Valuation as at 31 December 2008 HK$ million	Valuation as at 31 December 2007 HK$ million	Increase/decrease(-) %	Percentage of each property as to the Properties as at 31 December 2008 %
White Horse Building	3,233.4	3,003.0[4]	7.7	56.5
Fortune Plaza	647.1	642.7	0.7	11.3
City Development Plaza	462.6	457.2	1.2	8.1
Victory Plaza	609.5	604.8	0.8	10.7
Sub-total	4,952.6	4,707.7	5.2	86.6
Yue Xiu Metropolis	748.4	738.8[1,3]	1.3	13.1
Fortune 1701	17.9	18.2[2,3]	-1.6	0.3
	5,718.9	5,464.7	4.65	100

1 The value of Yue Xiu Metropolis when it was transferred to GZI REIT on 1 June 2008.

2 The auction price and expenses in respect of Fortune 1701 in August 2008.

3 Calculated by using the exchange rate of RMB0.8798 = HK$1 as at 30 June 2008.

4 The amount includes the valuation of White Horse Building as at 31 December 2007 and the new addition of investment properties (Installation of new electrical supply cable).

The subject valuation was prepared by Vigers based on the average of values derived using the income capitalisation approach and the discounted cash flow analysis.

Capital Structure

The capital management policy of GZI REIT is to achieve optimal debt profile. The SPVs of GZI REIT entered into a facility agreement with certain lending banks on 7 December, 2005 for a three year floating rate secured term loan facility of US$165 million and certain related interest rate and currency swap contracts to hedge against the risks of interest rates and currency mismatch. The loan was fully drawn down on the Listing Date. The term loan is repayable in 3 years from the date of the drawdown.

Metrogold Development Limited (Metrogold), a special purpose vehicle of GZI REIT holding indirectly the Yue Xiu Metropolis, entered into a secured facility agreement with Hong Kong and Shanghai Banking Corporation on 1 June 2008 for a floating rate bridge loan facility of HK$485 million which was fully drawn down on 2 June 2008. The security package included, a legal mortgage over the shares of Metrogold, a first fixed charge over all bank accounts and a first fixed and floating charge over all other assets.

These bank borrowings and the swap contracts were due on 21 December 2008.

On 6 November 2008, GZI REIT has, through its SPVs, entered into a facility agreement with certain lending banks in connection with a three-year floating rate secured term loan facility of HK$2.1 billion. The new loan was drawn down on 12 November 2008. The funds of the new loan facility were used primarily for refinancing the existing banking facilities of US$165 million and HK$485 million, simultaneous termination of the relevant swap contracts and financing the fees and expenses incurred by GZI REIT in connection with the new loan facility and/or the general working capital requirements.

As at 31 December 2008, total borrowings of GZI REIT amounted to approximately HK$2.048 billion (total borrowings are calculated based on bank loan, but excluding capitalization of debt-related expenses), representing approximately 32% of total assets of GZI REIT.

As at 31 December 2008, total liabilities of GZI REIT (excluding net assets attributable to the Unitholders) amounted to approximately HK$2.330 billion, representing approximately 37% of total assets of GZI REIT.

The abovesaid gearing ratios are below the maximum borrowing limit of 45% as stipulated by the REIT Code.

Cash Position

Cash balance of GZI REIT as at 31 December 2008 amounted to approximately HK$397.416 million. GZI REIT has sufficient financial resources to satisfy its financial commitments and working capital requirements.

The Manager has adopted a conservative approach in cash management to ensure flexibility to meet the operational needs and the distributions of GZI REIT.

Accounting Treatment:

Units recorded as Financial Liabilities; Distributions to Unitholders as Finance Costs

Pursuant to Rule 7.12 of the REIT Code and the terms of the Trust Deed, GZI REIT is required to distribute to the Unitholders not less than 90% of its audited annual net income after tax, subject to certain adjustments as defined in the Trust Deed.

GZI REIT has a limited life of 80 years from the date of establishment. Accordingly, the Units contain contractual obligations to pay cash dividends and, upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of GZI REIT less any liabilities, in accordance with Unitholders' proportionate interests in GZI REIT at the date of the termination of GZI REIT.

In accordance with the Hong Kong Accounting Standards 32 ("HKAS 32"), GZI REIT has, for accounting purposes, classified its Units as financial (not legal) liabilities.

On the basis of the HKAS 32, distributions to be paid to the Unitholders are represented as finance costs and are therefore presented as expenses in the consolidated income statement. Consequently, GZI REIT has, for accounting purposes, recognised distributions as finance costs in its audited consolidated income statement.

The above accounting treatment does not have any impact on the net assets attributable to the Unitholders.

RENOVATION PROJECTS FOR WHITE HORSE BUILDING UNITS

In accordance with the Reorganisation Deed dated 7 December 2005 signed among the Manager, the Trustee and GZI, GZI Group provided an amount of HK$26.7 million for the then proposed renovation works for the White Horse Building Units.

Since the Listing Date, the Manager has been alloting the abovementioned funds on certain renovation works at White Horse Building Units.

During 2006, 2007 and 2008, GZI REIT has incurred capital expenditure of approximately HK$20.23 million for the abovementioned funds. The capital expenditure incurred in 2008 was approximately HK$3.42 million.

Such capital expenditure included approximately HK$9.8 million of fixed assets related capital expenditure and approximately HK$10.4 million of investment properties related capital expenditure.

Moreover, the Manager intends to apply the balance of the abovementioned funds to conduct renovation alteration works for common corridors, lobby, and electrical wires in the financial years 2008 and 2009. The extension of time schedule for the above renovation beyond the Reporting Year is attributable to the Manager's prudent risk management approach as extensive works being carried out simultaneously may adversely affect normal business operations of the tenants and defeat the purpose of asset enhancement. As such, a majority of the renovation work, such as replacement of the ceiling and the ground covering, can only be carried out during the Chinese Lunar New Year as our tenants will close their retail shops for vacation.

According to the renovation work plan, a new electrical supply cable in the new cable tray in the building was installed to increase the load capacity for power supply to allow more flexible arrangement of power consumption for other uses in the future. The cost for the installation has been newly increased to approximately HK$12.42 million. Approximately HK$1.8 million has already been covered by HK$26.7 million provided by GZI when GZI REIT was listed in 2005.

SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

GZI REIT acquired 72.3% of the total floor area of Yue Xiu Metropolis with a total area of approximately 61,964 square meters at a consideration of HK$677.3 million in June 2008 and Fortune 1701, with a gross floor area of approximately 999 square meters, through a public auction for the consideration of RMB15.5 million via Guangzhou Jieyacheng Properties Co. Ltd. on 14 July 2008. Please refer to the section under "Investment" for more details.

REAL ESTATE AGENTS ENGAGED BY GZI REIT

During the Reporting Year, GZI REIT has engaged Yicheng and White Horse Property Manager (collectively, "Leasing Agents") to provide designated leasing, marketing, tenancy management and property management services to the Properties.

During the Reporting Year, GZI REIT paid service fees to Yicheng and White Horse Property Manager in the amounts of HK$8.035 million and HK$8.909 million respectively.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Year, there was no repurchase, sale or redemption of Units by GZI REIT or its subsidiaries.

NEW UNITS ISSUED

During the Reporting Year, a total of 65,972,687 consideration Units were issued on 2 June 2008 to a wholly-owned subsidiary of Guangzhou Investment Company Ltd at the agreed price of HK$3.08 in part payment of the consideration for the acquisition of the Yue Xiu Metropolis.

EMPLOYEES

GZI REIT is managed by the Manager. GZI REIT does not employ any staff.

REVIEW OF FINANCIAL RESULTS

The final results of GZI REIT for the Reporting Year have been reviewed by the Disclosures Committee, Audit Committee of the Manager and the independent auditor of GZI REIT.

CORPORATE GOVERNANCE

The Manager has adopted an overall corporate governance framework that is designed to promote the operation of GZI REIT in a transparent manner with built-in checks and balances which are critical to the performance of the Manager and consequently, the success of GZI REIT.

The Manager has adopted a compliance manual ("Compliance Manual") for use in relation to its management and operation of GZI REIT which includes key policies and procedures for maintaining a high standard of corporate governance.

During the Reporting Year, the Manager has complied with the provisions of the Compliance Manual for its management of GZI REIT.

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 8 May 2009. The register of Unitholders will be closed from 11 May 2009 to 15 May 2009, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the distribution, all Unit certificates with completed transfer forms must be lodged with GZI REIT's unit registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 8 May 2009. The payment date of final distribution will be on 20 May 2009.

ISSUANCE OF ANNUAL REPORT

The annual report of GZI REIT for the Reporting Year will be dispatched to the Unitholders on or before 30 April 2009.

ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of GZI REIT for the Reporting Year be held on 25 May 2009. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

OVERVIEW OF THE PROPERTIES

The Properties of GZI REIT comprise five high quality properties, namely White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Yue Xiu Metropolis. The overview of the Properties is as follows:

Property	Type	Location	Year of completion	Area of ownership (sq. m.)	Total rentable area (sq. m.)	Occupancy rate(2)	Number of lease contract(2)	Appraised value(2) (HK$ million)
White Horse Building	Wholesale shopping centre	Yuexiu district	1990	50,199.3	50,128.9	100.0%	1,290	3,233
Fortune Plaza	Grade A office	Tianhe district	2003	41,355.2	41,355.2	98.5%	70	665
City Development Plaza	Grade A office	Tianhe district	1997	42,397.4	42,397.4	97.7%	64	463
Victory Plaza	Retail shopping centre	Tianhe district	2003	27,698.1	27,262.3	99.4%	21	610
Yue Xiu Metropolis	Commercial complex	Yuexiu district	2007	61,964.3	49,887.3(1)	95.6%(1)	90	748
	Total			**223,614.3**	**211,031.1**	**98.1%**	**1,535**	**5,719**

Notes: (1) Excluding the area of car park of 7,549.03 sq.m. as well as club houses and public ancillary units of 4,528.06 sq.m.; (2) as at 31 December 2008.

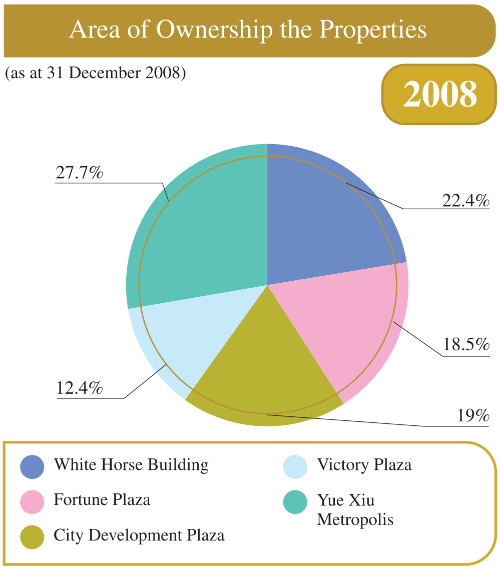
LOCATION OF THE PROPERTIES

The Properties of GZI REIT are all located in the core business district of Guangzhou, PRC. Among them, the White Horse Building is located in the traditional Railway Station Business Circle, adjacent to Guangzhou Railway Station with a diversity of wholesale markets specialising in clothing, shoes and leatherware concentrated in the surrounding areas. Fortune Plaza, City Development Plaza and Victory Plaza are located in the Tianhe central business district and are scattered on both sides of the axis of the new town city of Guangzhou. Being the most important region in which grade-A offices are concentrated, the Tianhe central business district is the largest modern business trade district in Guangzhou, with highly concentrated metro line networks, convenient transportation, heavy pedestrian traffic and sound ancillary facilities. Yue Xiu Metropolis is located in core of the Beijing Road Business Circle and is a property erected above the metro station boasting geographical advantages.

Diagram showing the locations of the Properties in Guangzhou:

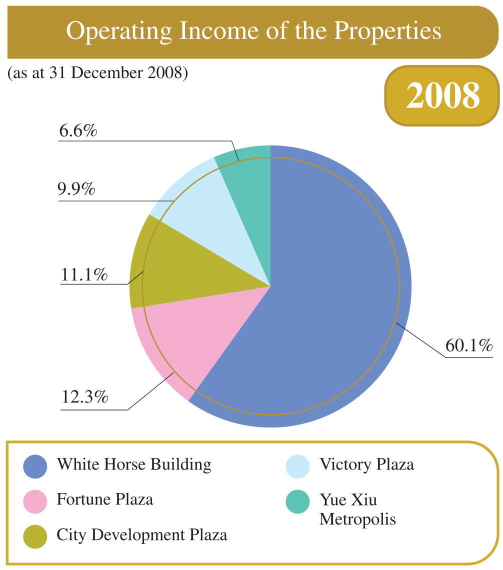
AREAS OF THE PROPERTIES

The property portfolio of GZI REIT has an area of ownership of 223,614.3 sq.m. and a rentable area of 211,031.1 sq.m. As at 31 December 2008, the overall occupancy rate of the portfolio was 98.1%, representing an increase of 0.7 percentage point as compared with the corresponding period last year.



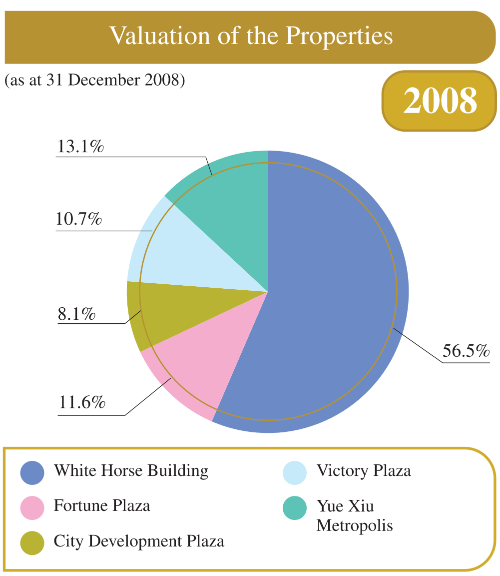
OPERATING INCOME GENERATED BY THE PROPERTIES

In 2008, GZI REIT recorded a total operating income of HK$496 million, an increase of HK$94 million, or 23.3%, over the previous year.



PROPERTY VALUATION

According to the valuation report issued by Vigers Appraisal And Consulting Limited, the property portfolio of GZI REIT was valued at a total value of HK$5,719 million as at 31 December 2008.



LEASE EXPIRY OF PROPERTIES

In respect of lease areas in the next five years, ratios of lease expiry of GZI REIT Properties each year will be 23.8%, 37.6%, 13.9%, 4.5% and 20.2% respectively. In respect of basic monthly rentals, ratios of lease expiries each year will be 30.6%, 46.0%, 9.3%, 2.6% and 11.5%.

WHITE HORSE BUILDING – A FAMOUS FASHION WHOLESALE AND RETAIL CENTRE IN THE PRC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WHITE HORSE BUILDING – A FAMOUS FASHION WHOLESALE AND RETAIL CENTRE IN THE PRC

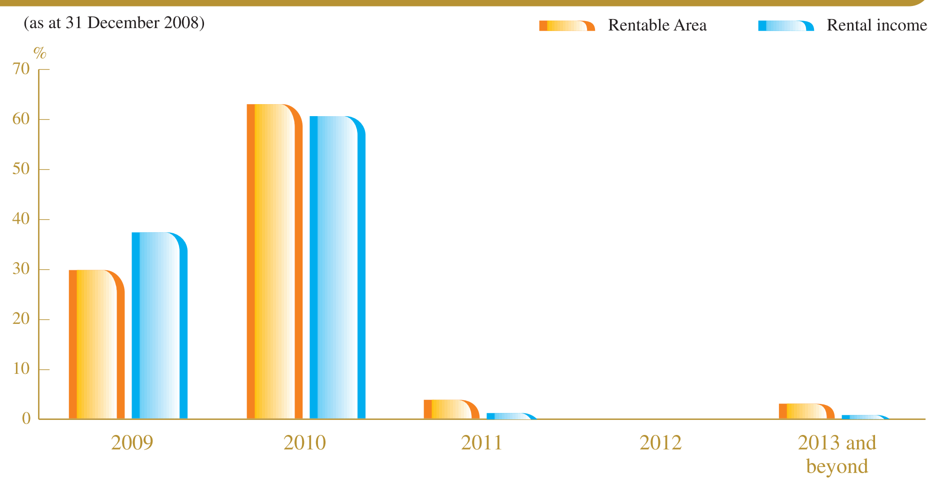
White Horse Building is located in Liuhua District, a traditional trade region in Guangzhou. It is adjacent to the Guangzhou Railway Station, Guangdong and Guangzhou City Long Distance transportation terminal and No.2 metro line, enjoying convenient transportation connections and a strong business atmosphere.

White Horse Building was completed and commenced operation in 1990. White Horse Building has a total gross floor area of more than 60,000 sq.m. with a total of 10 storeys, including four levels of shopping arcades, five levels of offices and an underground car park. The area of ownership held by GZI REIT in White Horse Building is 50,199.3 sq.m.

White Horse Building was awarded as one of the "Top Ten Apparel Wholesale Markets in China", "China's Most Influential Specialised Market in the Business Sector" and one of the "Ten Best Specialised Markets in Guangdong Province" by various authorities within the industry. White Horse Building is one of the leading players in the apparel wholesale market in China.

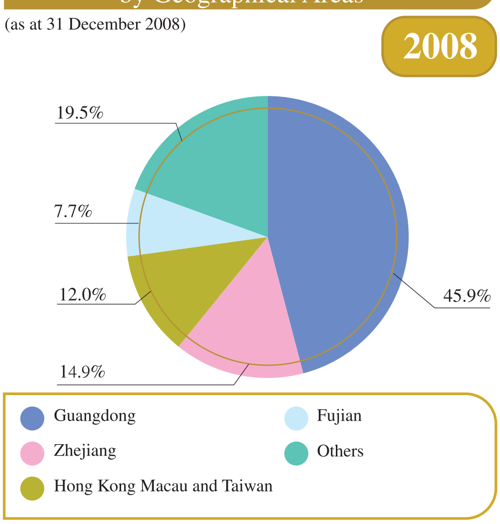
Summary of Lease Expiry

(as at 31 December 2008)



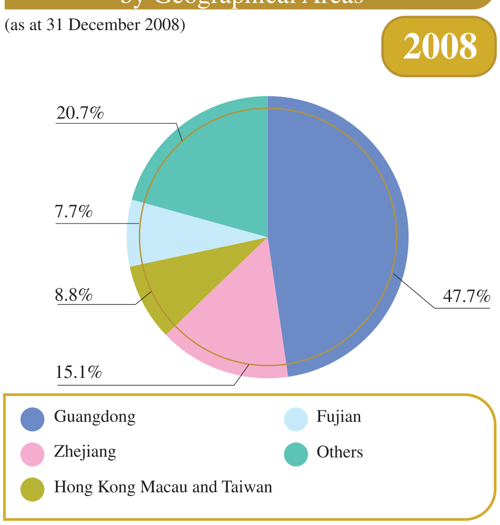
Analysis on Gross Rentable Area by Geographical Areas

(as at 31 December 2008)



Analysis on Total Rental Income by Geographical Areas

(as at 31 December 2008)



WHITE HORSE BUILDING – A FAMOUS FASHION WHOLESALE AND RETAIL CENTRE IN THE PRC

Top Ten Tenants by Rental Income (as at 31 December 2008)

Name of tenant	Industry	% of gross rentable area	% of total monthly rentals
Zhao Kechun	Wholesale/retail	0.63%	0.95%
Lu Shaoying	Wholesale/retail	1.08%	0.92%
Jin Ronghua	Wholesale/retail	0.67%	0.85%
Zhang Lingzhen	Wholesale/retail	0.51%	0.62%
Bank of Communications Guangzhou Branch	Finance	0.37%	0.57%
Lin Pei Fang	Wholesale/retail	0.46%	0.54%
Shi Shali	Wholesale/retail	0.38%	0.52%
Zhu Dixiong	Wholesale/retail	0.48%	0.52%
Chen Jiaquan	Wholesale/retail	0.64%	0.52%
SunMa Baoyu	Wholesale/retail	0.50%	0.49%
Total		**5.72%**	**6.50%**



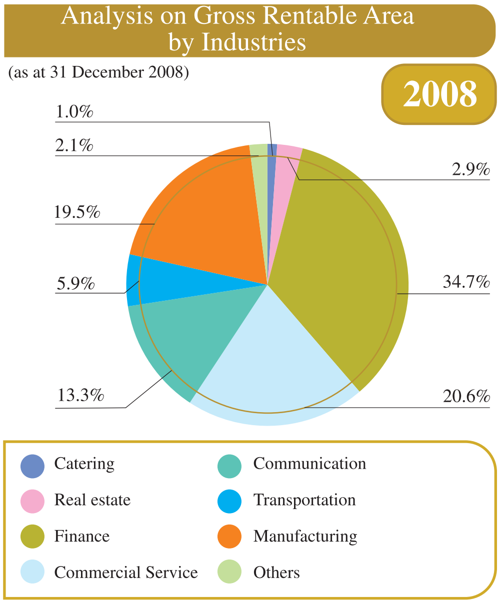
FORTUNE PLAZA - GRADE-A COMMERCIAL BUILDING ERECTED ABOVE METRO STATION, A WEALTH CENTRE FOR MULTI-NATIONAL CORPORATIONS

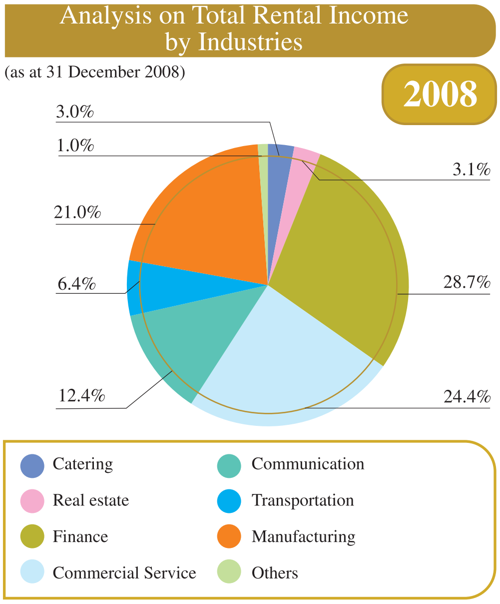
FORTUNE PLAZA - GRADE-A COMMERCIAL BUILDING ERECTED ABOVE METRO STATION, A WEALTH CENTRE FOR MULTI-NATIONAL CORPORATIONS

Fortune Plaza, known as the "Guangzhou Wall Street", is located in Ti Yu Dong Road, Tien He District. It is an "Intelligent 5A" top-grade office building erected above the stadium metro station, which is the interchange of metro lines Nos.1 and 3 with various public transport stations in front of the building.

Fortune Plaza was open in 2003 with a total gross floor area of more than 80,000 sq.m. It comprises two grade-A office buildings, namely the 38-storey East Tower and the 28-storey West Tower, a 5-storey commercial podium and ancillary facilities such as two levels of large-scale underground car park. The area of ownership held by GZI REIT in Fortune Plaza is 41,355.2 sq.m.

Fortune Plaza was awarded "National Model Building for Property Management" by the Ministry of Construction of the PRC in 2006. Its tenants are primarily foreign-funded enterprises and large listed companies. The leasing area by tenants from the financial sector accounts for 34.65%.





FORTUNE PLAZA - GRADE-A COMMERCIAL BUILDING ERECTED ABOVE METRO STATION, A WEALTH CENTRE FOR MULTI-NATIONAL CORPORATIONS

Top Ten Tenants by Rental Income (as at 31 December 2008)

Name of tenant	Industry	% of gross rentable area	% of total monthly rentals
HSBC Software Development (Guangdong) Limited	Finance	25.51%	19.80%
Alibaba (China) Technology Co., Ltd. Guangzhou Filiable	Information technology	7.18%	5.88%
Petro China South China Chemicals Marketing Company	Manufacturing	5.28%	5.69%
Wall Street English Training Center (Guangdong) Co., Ltd.	Commercial service	3.74%	4.99%
Korea National Tourism Organization Guangzhou Office	Commercial service	1.18%	4.08%
DBS Bank (China) Limited Guangzhou Branch	Finance	3.15%	3.59%
Kuehne & Nagel Limited Guangzhou Branch Office	Transportation	3.17%	3.32%
Guangzhou Real Kungfu Catering Co., Ltd.	Catering	1.10%	3.02%
Manpower China Guangdong Branch	Commercial service	3.32%	2.87%
CITS American Express Southern Air Services Ltd.	Commercial service	2.42%	2.69%
Total		**56.05%**	**55.93%**

CITY DEVELOPMENT PLAZA — GRADE-A COMMERCIAL BUILDING, HOME OF LARGE ENTERPRISES

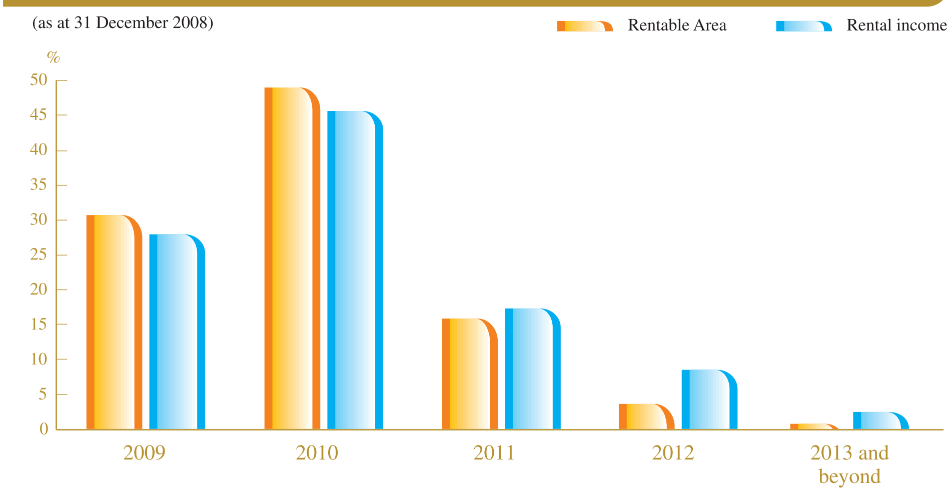
CITY DEVELOPMENT PLAZA — GRADE-A COMMERCIAL BUILDING, HOME OF LARGE ENTERPRISES

City Development Plaza is located at Tiyu Xilu in the west of the axis of new town centre of Guangzhou, and is a grade-A office complex in the Guangzhou Tianhe central business district in the vicinity of Metro Line No.3. A number of public transport routes lead directly to the plaza in front of the building. It is also adjacent to the Pearl River Delta shuttle bus station and airport express. Guangzhou Railway East Station is just a five-minute car ride.

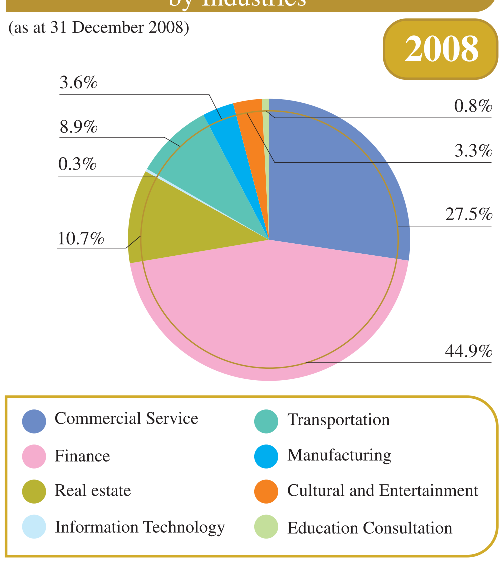
City Development Plaza commenced operation in 1997, with a total gross floor area of more than 70,000 sq.m., including a 28-storey grade-A office, 5-storey commercial podium, 2-storey large underground car park and other ancillary facilities. The area of ownership held by GZI REIT in City Development Plaza is 42,397.4 sq.m.

City Development Plaza was awarded "Lu Ban Award" for its prominent design by the Ministry of Construction of the PRC and the China Construction Industry Association in 1999, and "National Model Building for Property Management" by the Ministry of Construction in 2000. Its tenants are primarily large domestic listed companies. The leasing area by tenants from the financial sector accounts for 44.87%.

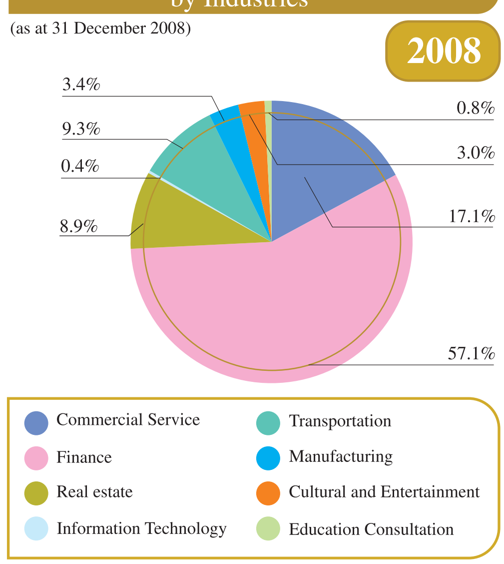
Summary of Lease Expiry



Analysis on Gross Rentable Area by Industries



Analysis on Total Rentable Income by Industries



CITY DEVELOPMENT PLAZA — GRADE-A COMMERCIAL BUILDING, HOME OF LARGE ENTERPRISES

Top Ten Tenants by Rental Income (as at 31 December 2008)

Name of tenant	Industry	% of gross rentable area	% of total monthly rentals
Shanghai Pudong Development Bank Guangzhou Branch	Finance	12.29%	18.93%
Efund Management Co., Ltd.	Finance	14.68%	16.46%
Guangzhou Wisevalley Development Co., Ltd.	Commercial service	18.47%	9.62%
Taikanglife Insurance Co., Ltd. Guangdong Branch	Insurance	9.44%	8.86%
Shenzhen Development Bank Co., Ltd. Guangzhou Branch	Finance	2.75%	8.20%
COSCO Guangzhou International Freight Co., Ltd.	Transportation	4.65%	4.69%
Guangzhou Investment Co., Ltd.	Real estate	2.50%	2.45%
COSCO South-China International Freight Co., Ltd.	Transportation	2.42%	2.44%
AXA-Minmetals Assurance Co., Ltd. Guangdong Branch	Insurance	2.18%	2.02%
Guangzhou Xingye Real Estate Agent Co., Ltd.	Real estate	1.93%	1.89%
Total		**71.31%**	**75.56%**

VICTORY PLAZA - A METRO CONCEPT SHOPPING ARCADE, A DIAMOND IN THE CORE BUSINESS HUB

VICTORY PLAZA - A METRO CONCEPT SHOPPING ARCADE, A DIAMOND IN THE CORE BUSINESS HUB

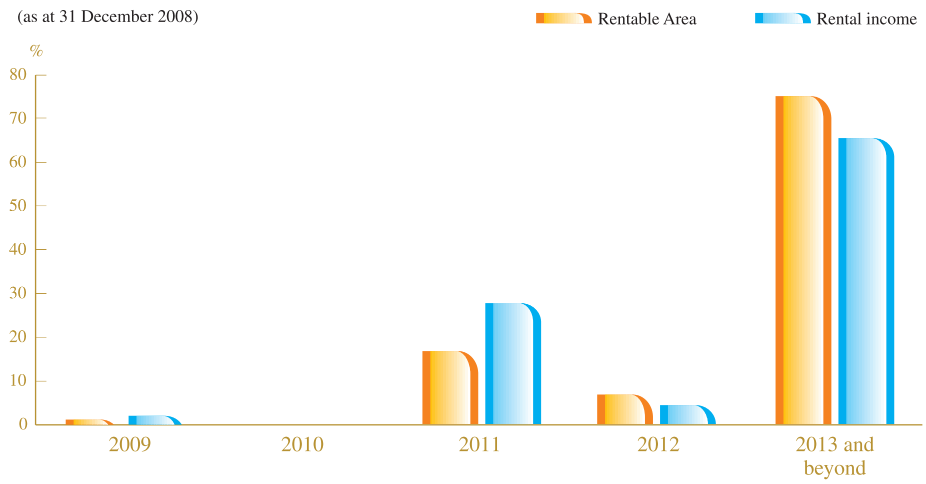
Victory Plaza is located at the intersection between Tianhe Road and Tiyu Xilu in Guangzhou and is adjacent to the Guangzhou Book Centre and, together with Teem Plaza, Grand City Plaza, Grandview Plaza and Grand Buy ZhongYi Department Store, forms the new business hub of Guangzhou. The area surrounding Victory Plaza enjoys convenient transportation. Nestled in the heart of Tianhe's business hub, it is also an interchange of metro lines No.1, No.2 and No.3 with heavy pedestrian traffic and busy commercial atmosphere.

Victory Plaza comprises a 6-level retail podium, which commenced operation in 2003, and two grade-A office towers, completed in 2007, with 52 and 36 storeys respectively, and a 3-level underground car park, with a total gross floor area of over 140,000 sq.m. The area of retail podium ownership held by GZI REIT in the Victory Plaza is 27,698.1sq.m.

Through tenant optimisation projects, Victory Plaza Units have turned into a high-end shopping, catering and entertainment retail mall characterised by its electrical appliances shops. Such operating style is unique in the Tianhe business hub.

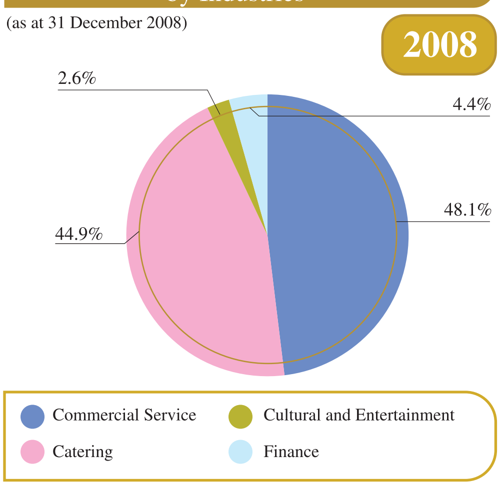
Summary of Lease Expiry

(as at 31 December 2008)



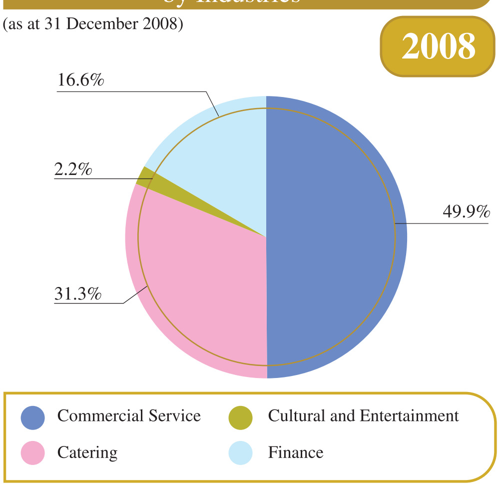
Analysis on Gross Rentable Area by Industries

(as at 31 December 2008)



Analysis on Total Rental Income by Industries

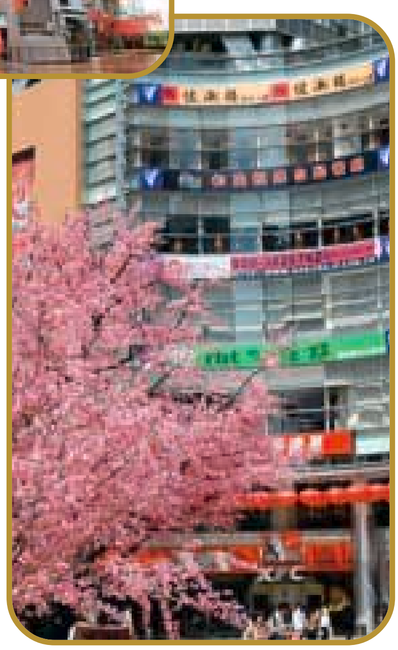
(as at 31 December 2008)



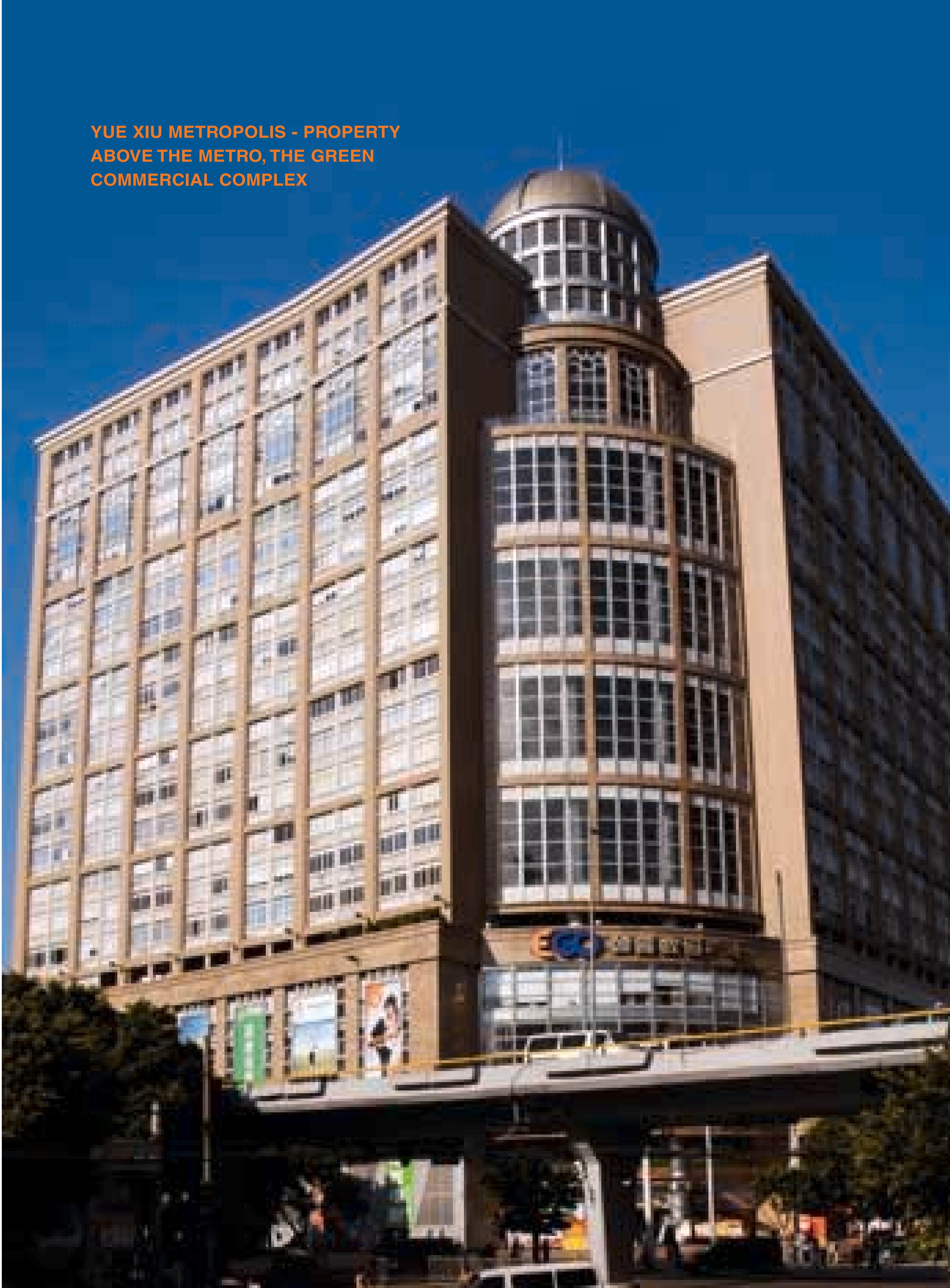
VICTORY PLAZA - A METRO CONCEPT SHOPPING ARCADE, A DIAMOND IN THE CORE BUSINESS HUB

Top Ten Tenants by Rental Income (as at December 31 2008)

Name of tenant	Industry	% of gross rentable area	% of total monthly rental
Guangzhou GOME Electrical Appliances Co., Limited	Commerce	41.89%	40.22%
China Merchants Bank Co., Ltd. Guangzhou Branch	Finance	2.84%	8.82%
Industrial and Commercial Bank of China Limited Guangzhou Dezheng Zhong Road Sub-branch	Finance	1.53%	7.74%
J.M. Developments	Catering	11.07%	5.97%
Chen Huiyi	Catering	10.17%	5.30%
Wei LiXia	Commerce	4.02%	4.65%
Yum! Restaurants (Guangdong) Co., Ltd.	Catering	3.08%	4.32%
Zhou Caixia	Catering	7.32%	3.82%
Huang Julan	Commerce	1.16%	3.36%
Hunan Home	Catering	5.82%	3.14%
Total		**88.90%**	**87.34%**



YUE XIU METROPOLIS - PROPERTY ABOVE THE METRO, THE GREEN COMMERCIAL COMPLEX



YUE XIU METROPOLIS - PROPERTY ABOVE THE METRO, THE GREEN COMMERCIAL COMPLEX

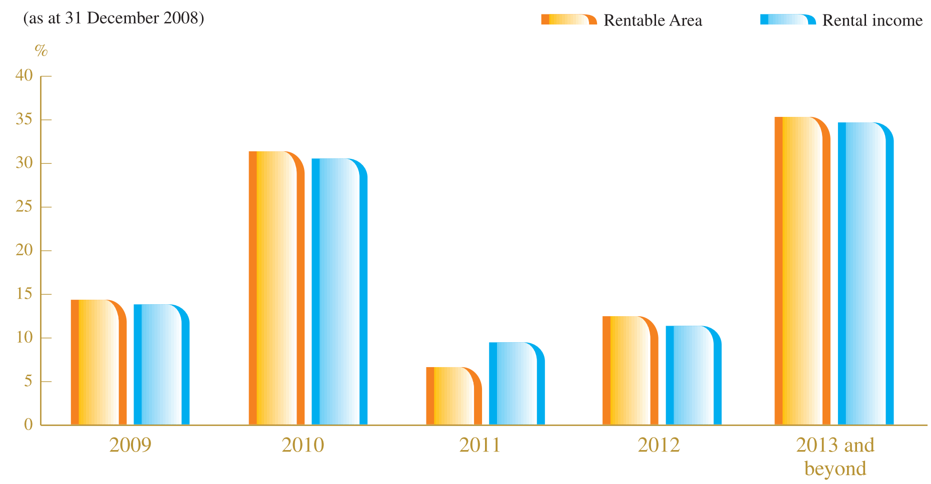
Yue Xiu Metropolis is a prime commercial complex located above Ximenkou station of Metro Line No.1 in the traditional Beijing Road business circle in Guangzhou.

Yue Xiu Metropolis was ready for occupation in 2007. The 23-storeys complex has a total gross floor area of more than 80,000 sq.m., comprising 18 storeys of offices and 4 storeys of shopping mall, equipped with a podium garden of 1,500 sq.m., Chinese and Western restaurants, multifunctional conference rooms, a business centre and 2 storeys of underground car park. Yue Xiu Neo Metropolis Plaza enables an around-the-clock office hour and is named as the "Green Commercial Complex". The area of ownership held by GZI REIT in Yue Xiu Neo Metropolis Plaza is 61,964.3 sq.m.

Yue Xiu Metropolis was awarded the "National Construction Silver Award" by the Evaluation Committee of the China Quality Construction Award for its quality construction in 2008, and was named as "Guangzhou City Property Management Model Complex" and "Guangdong Province Property Management Model Complex". Tenants are mainly from the information technology and business service sectors.

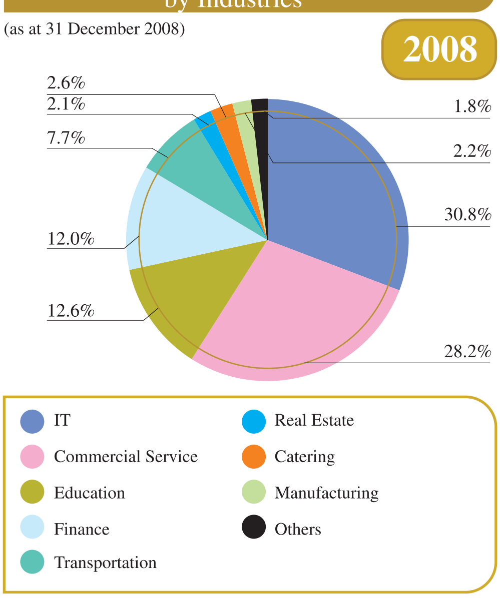
Summary of Lease Expiry

(as at 31 December 2008)



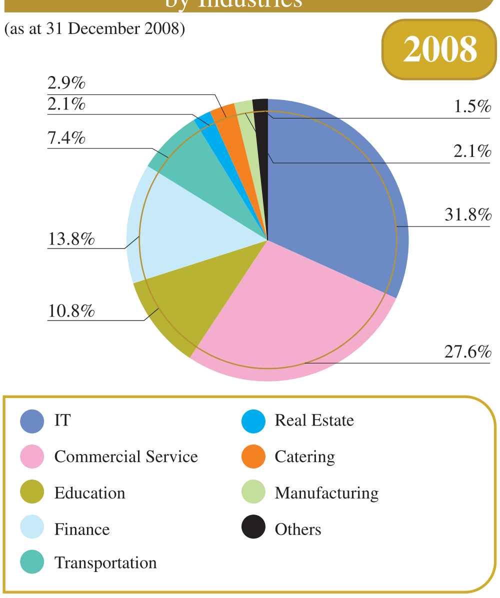
Analysis on Gross Rentable Area by Industries

(as at 31 December 2008)



Analysis on Total Rental Income by Industries

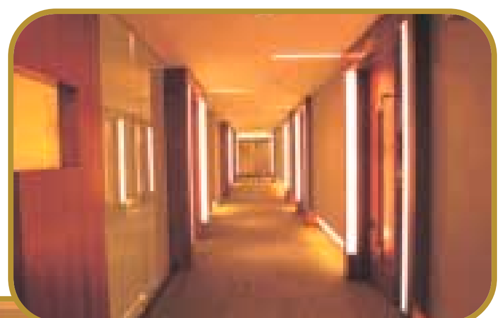
(as at 31 December 2008)



YUE XIU METROPOLIS — PROPERTY ABOVE THE METRO, THE GREEN COMMERCIAL COMPLEX

Top Ten Tenants by Rental Income (as at 31 December 2008)

Name of tenant	Industry	% of gross rentable area	% of total monthly rental
EGO Digital Technology Group (Guangzhou) Co., Ltd.	Information Technology	16.59%	18.70%
ALP School	Education	12.06%	10.76%
Ping An Life Insurance Company of China, Ltd. Guangdong Province Branch	Finance	7.45%	6.57%
TNT Express Worldwide (China) Ltd.	Transportation	4.45%	4.49%
Guangzhou GOME Electrical Appliances Co., Limited	Commercial Service	4.75%	4.49%
Bank of China Limited Guangzhou Yue Xiu Branch	Finance	0.57%	3.59%
H. D. Lee Apparel Limited Guangzhou Branch	Commercial Service	3.14%	3.49%
Shanghai Recruit Investment Consulting Co., Ltd.	Information Technology	2.89%	2.92%
Shenzhen Fairwood Fast Food Limited	Catering	1.63%	1.95%
Securities Department of Essence Securities Co. Ltd. Guangzhou Jiefang South Road Branch	Finance	1.81%	1.94%
Total		**55.34%**	**58.90%**



TRUSTEE REPORT TO UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of GZI Real Estate Investment Trust has, in all material respects, managed the GZI Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 7 December 2005, as amended by the First Supplemental Deed dated 25 March 2008 for the financial year ended 31 December 2008.

HSBC Institutional Trust Services (Asia) Limited,
in its capacity as the trustee of GZI Real Estate Investment Trust

Hong Kong, 12 March 2009

DIRECTORS

The Directors of the Manager are:

Name	Age	Position
Mr LIANG Ningguang（梁凝光）	55	Chairman and Executive Director
Mr LIU Yongjie（劉永杰）	51	Chief Executive Officer and Executive Director
Mr LIANG Youpan（梁由潘）	53	Non-Executive Director
Mr CHAN Chi On, Derek（陳志安）	45	Independent Non-Executive Director
Mr LEE Kwan Hung, Eddie（李均雄）	43	Independent Non-Executive Director
Mr CHAN Chi Fai, Brian（陳志輝）	54	Independent Non-Executive Director

Chairman

Mr LIANG Ningguang

Mr Liang is the Chairman and an Executive Director of the Manager and as one of the Manager's Responsible Officers. Mr Liang is also currently the Vice Chairman of Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), an Executive Director of GZI Transport Limited (a company listed on the Stock Exchange) and a director of Yue Xiu Securities Co. Ltd. Mr Liang was formerly an Executive Director and Deputy General Manager of GZI.

Prior to joining Yue Xiu in 1989, Mr Liang was a Deputy Commissioner of the Guangzhou Municipal Taxation Bureau.

Mr Liang graduated from the Television University (Guangzhou) in the PRC with a major in finance and holds a Master degree in Business Administration from the Murdoch University of Australia. He is a Senior Accountant and a member of the Chinese Institute of Certified Public Accountants and is a Responsible Officer licensed under the Securities and Futures Ordinance of Hong Kong, Cap 571, ("SFO") to carry on regulated activities types 1, 4 and 9.

Executive Director

Mr LIU Yongjie

Mr Liu is an Executive Director and Chief Executive Officer of the Manager as well as one of the Manager's Responsible Officers. He is concurrently Deputy General Manager of Yue Xiu but has devoted, and expected to continue to devote, 100.0% of his time in the management of GZI REIT.

Before joining Yue Xiu, Mr Liu was a Director and Deputy General Manager of Guangzhou City Construction & Development Co. Ltd. ("GCCD"), and was responsible for strategic planning in property development, property management, promotional campaigns, asset acquisition and asset enhancement. Mr Liu has more than 14 years of experience in property investment and management. Prior to joining the property department of GCCD, Mr Liu was an assistant to the director of, and a research fellow in economic studies in, the Economic Research Centre in Guangzhou.

Mr Liu graduated from the University of Hubei (formerly known as Wuhan Teachers' College) in the PRC with a major in science; and obtained an Executive Master degree of Business Administration from Honolulu University.

Non-executive Director

Mr LIANG Youpan

Mr Liang is a non-executive Director of the Manager. He is currently also the Deputy General Manager of Yue Xiu and GZI, and general manager of GCCD.

Prior to joining GZI in 1998, Mr Liang was the Workshop Director of Guangzhou Wen Chong Shipyard Company Limited, which is a subsidiary of China State Shipbuilding Company. Between 1991 and 1998, Mr Liang was a unit head in the administrative supervisory division of the Guangzhou Municipality. Mr Liang has a wide range of experience in PRC corporate governance practices, particularly in the area of internal controls.

Mr Liang graduated in 1986 from Guangzhou Economics Management Cadre's Institute in the PRC with a diploma in corporate governance.

Independent Non-executive Directors

Mr CHAN Chi On, Derek

Mr Chan is an independent non-executive director of the Manager and is also currently the Managing Director of Taifook Capital Limited.

Mr Chan is a Group Executive Director of Taifook Securities Group Limited, a company listed on the Stock Exchange and is in charge of its corporate finance division. Mr Chan graduated from the University of Hong Kong with a Bachelor degree in Social Sciences (majoring in Economics) in 1985 and from the Hong Kong University of Science & Technology with a Master degree in Business Administration in 1994. Between 1989 and 1996, he worked for The Stock Exchange of Hong Kong Limited. He is an adjunct professor of in the School of Accounting and Finance of the Hong Kong Polytechnic University. Mr Chan possesses over 19 years of experience in the financial services industry.

Mr LEE Kwan Hung, Eddie

Mr Lee Kwan Hung, Eddie, aged 43, was appointed an independent non-executive Director on 11 November 2005. He is a partner of Woo, Kwan, Lee & Lo and the chief representative of Woo, Kwan, Lee & Lo's Beijing Office. Mr Lee received his LL.B (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997. Mr Lee is currently a non-executive director of GST Holdings Limited and an independent non-executive director of Embry Holdings Limited, Asia Cassava Resources Holdings Limited and NetDragon Websoft Inc., the shares of these companies are listed on the Stock Exchange. He was also a non-executive director of Mirabell International Holdings Limited, the shares of which were formerly listed on the Stock Exchange. Besides, Mr Lee had been an independent non-executive director of China Mining Resources Group Limited (formerly known as Innomaxx Biotechnology Group Limited), the shares of which are listed on the Stock Exchange. Save as disclosed, in the three years preceding the Latest Practicable Date, Mr Lee did not hold any directorship in other listed public companies or any major appointments.

Mr CHAN Chi Fai, Brian

Mr Chan is an independent non-executive Director of the Manager and is currently also the Chief Financial Officer of the Parkview Group, which comprises two publicly listed companies.

Mr Chan has been heavily involved in the overall development of the Hong Kong Parkview Group since he joined the group in 1990. With projects and investment properties in Hong Kong, the PRC, Singapore and United Kingdom, Hong Kong Parkview Group is principally engaged in property development and hospitality.

Prior to joining the Parkview Group, Mr Chan worked in the banking sector from 1978 to 1989, the first seven years of which was with a reputable international bank. During his 11 years in banking, Mr Chan was involved in international banking operations, mergers and acquisitions as well as financial and risk management.

Mr Chan is a certified public accountant with professional accounting qualifications in Hong Kong and the United Kingdom.

Compensation of Directors of the Manager

All fees and compensation of the Directors and senior executives of the Manager were borne by the Manager and not by GZI REIT or any of its controlled entities.

Independence of Directors

The Manager has received written annual confirmation of independence from each of the three independent non-executive Directors ("INEDs") of the Manager confirming his independence based on the criteria set out in the Compliance Manual and the Manager considered all independent non-executive Directors to be independent.

SENIOR EXECUTIVES OF THE MANAGER

Mr LIU Yongjie

Mr Liu is the Chief Executive Officer and one of the Responsible Officers of the Manager. Information on his business and working experience have been set out in the subsection headed "Directors" above.

Mr LAU Jin Tin, Don

Mr Lau is a Deputy Chief Executive Officer and one of the Responsible Officers of the Manager. He assists the Chief Executive Officer of the Manager to ensure that GZI REIT is operated in accordance with the stated investment strategy of GZI REIT. Mr Lau also serves as the Compliance Manager of the Manager and is responsible for ensuring that the Compliance Manual, the REIT Code, the Trust Deed and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") are adhered to. Additionally, he is responsible for managing GZI REIT's borrowings, cash flow, assets and liabilities and other financial matters. He participates in the Manager's Finance and Investment Committee to review and make recommendations on any financial matters as well as acquisitions and disposals of assets.

Prior to joining Yue Xiu in 1995, he was an executive officer of NatWest Markets for over 10 years and participated in various capital market and corporate finance transactions, including origination, advice and execution of a wide range of PRC project financing activities.

Mr Lau is concurrently the Deputy Group Financial Controller of GZI. During the past 13 years with Yue Xiu and GZI, his main responsibilities included the active structuring, sourcing and management of equity and debt capital to finance the properties and other projects held by the two groups of companies. Mr Lau's experience also includes managing the risk exposures of the Yue Xiu group and the GZI Group as well as hedging their asset and liability portfolios.

Mr Lau obtained a Master degree in Applied Finance from the Macquarie University in Australia and is an Associate of the Chartered Institute of Bankers.

Mr KWAN Chi Fai

Mr Kwan is the Chief Financial Officer of the Manager. Prior to joining Yue Xiu in January 2007, Mr Kwan was the financial controller of two companies which are listed on the Stock Exchange. He has over 20 years' experience in finance, accounting and taxation.

Mr Kwan is a Certified Management Accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants. He obtained a Bachelor degree in Accounting from the University of Hong Kong.

Mr LIANG Danqing

Mr Liang heads the Corporate Services team of the Manager. Prior to joining the Manager, Mr Liang was the general manager of GCCD Marketing Center and was responsible for development strategies, marketing and promotional activities. In 2004-2005, the sales volume of the projects under his direction was among the top five of various Guangzhou developers. Mr Liang has remarkable performance in formulating sales strategies for commercial properties. He was in charge of planning and marketing various projects such as Victoria Plaza and Yue Xiu City Plaza. Mr Liang holds a real estate agent's licence of the PRC and has over 10 years of experience in property investment and planning.

Mr Liang graduated from South China University of Technology, majoring in Corporate Management Engineering. He also obtained a Master degree in Real Estate Administration from the University of Western Sydney.

Ms OU Haijing

Ms OU heads the Investment Management team of the Manager. Before joining the Yue Xiu group in 2002, she worked in the Guangdong Province Branch of the Industrial and Commercial Bank of China and served in the areas relating to transfer of banking funds and bank credit services, with experience in risk control for funds. After joining the Yue Xiu group, Ms OU was mainly engaged in the capital operations of the Group and had participated in various mergers and acquisitions.

Ms OU was graduated from Jinan University in the PRC with professional studies in international economics and trade and economic law, and obtained a Bachelor degree in Economics and a Bachelor degree in Law (i.e. a double degree). Subsequently, she completed postgraduate studies in finance at the Lingnan College of Sun Yat-Sen University in 2003. She is now a licensed person under the SFO and is authorized to carry out regulated activities of type 4 and 9.

Ms CHEN Huiqing

Ms Chen heads the asset management team of the Manager. She joined the GCCD group in 1997 and worked in Guangzhou White Horse Property Management Co. Ltd. and Guangzhou Yicheng Property Management Co. Ltd. as deputy general manager. In the past 10 years, Ms Chen was responsible for various major projects on marketing strategies, marketing and management activities. Ms. Chen has over 10 years of experience in commercial property marketing strategy and leasing management.

Ms Chen obtained a degree in Management from University of China Geology in 1997 and a Master degree in Business Administration from South China University of Technology in 2008.

Mr IP Wing Wah

Mr Ip heads the Manager's development and project management team and has over 20 years of experience in the building industry. He has worked for contractors where his main duty was to manage the staff and to ensure timely completion of building projects for clients such as government departments and private developers.

Mr Ip has also worked for a number of property developers where his main duty was to work closely with the design teams, architects, engineers, quantity surveyors and solicitors to develop and build various properties. Projects he worked on were mainly residential, commercial and industrial developments.

Mr Ip obtained an Endorsement Certificate in Building Studies from Hong Kong Polytechnic in 1986 and is a member of Chartered Institute of Building as well as a member of the Hong Kong Institute of Construction Managers.

Ms LI Jing

Ms Li is the deputy general manager of the Project Development Department of the Manager. She is mainly responsible for the capital technical alteration, risk control and facility management operations. Before joining to Yue Xiu, Ms Li had 7 years of experience of senior engineering management in Colliers International and Jones Lang LaSalle. Ms Li titled Associate Director in Jones Lang LaSalle, and she was responsible for the technical supervision, including engineers team construction, system set up, quality control for the engineering services to clients, KPI management and risk management. Ms Li worked in Hongkong Road King Group to assist at new project planning, development and distribution.

Ms Li graduated from Tsinghua University with a bachelor degree of Engineering. Ms Li is the holder of Fire Services Designer's License, Plumbing and Drainage Engineer's License and Property Manager's License. Ms Li has over 16 years engineering experience and published papers in various technical publications of China.

The Leasing Agents

Yicheng was incorporated in the PRC in 1997 and is 85.7% owned by GZI. It was GB/T19001-2000 and ISO9001:2000 certified in 2006.

White Horse Property Management Company was incorporated in the PRC in 1998 to provide dedicated leasing, marketing, tenancy management and property management services to White Horse Building and has been exclusively managing the property since 1998. It was GB/T19001-2000 and ISO9001:2000 certified in 2008.

Conflicts of Interest

GZI, its subsidiaries and associates are engaged in, amongst other things, investment in and development and management of commercial properties. Possible conflicts of interest may arise where GZI REIT competes directly with GZI and/or its subsidiaries or associates for property acquisitions and tenants. In order to address such potential conflict of interest, the following arrangements have been made.

Segregation of operational leasing and marketing functions

The GZI Group has effected an internal restructuring which resulted in White Horse Property Management Company and Yicheng (together "Leasing Agents") only being solely responsible for providing leasing and marketing services to GZI REIT's properties and another company within the GZI group ("GZI Property Manager") being solely responsible for providing such services to properties not belonging to GZI REIT.

"Chinese Walls"

"Chinese Wall" procedures have been put in place to ensure that there is segregation of information between the Leasing Agents and the GZI Property Manager. These include having separate operating premises and IT systems, and separate reporting lines, for each of the Leasing Agents and the GZI Property Manager. Both Leasing Agents have on-site premises for its use in connection with its property management functions. The personnel and IT systems of the Leasing Agents and the GZI Property Manager has been physically segregated.

Contractual Protection

Contractual provisions have been included in each of the tenancy services agreements entered into between the Manager and Partat Investment Limited ("Partat"), Moon King Limited ("Moon King"), Full Estates Investment Limited ("Full Estates") or, as the case may be, Keen Ocean Limited ("Keen Ocean"), and the relevant Leasing Agent to provide that:

(i) the Leasing Agents will at all times act in the best interests of GZI REIT and exercise a reasonable standard of care, skill, prudence and diligence under the circumstances then prevailing that a reputable leasing agent would use in providing similar services for comparable commercial properties in Guangzhou;

(ii) the Leasing Agents will adhere to the organisational charts and reporting lines agreed with the Manager and will act in accordance with the directions of the Manager;

(iii) the Leasing Agents will implement the annual business plan and budget approved by the Manager every year and use its best endeavours to achieve the revenue targets in such approved annual business plan and budget; and

(iv) if leasing or marketing opportunities in relation to any of the Properties become available to the Leasing Agents which the Leasing Agents, acting reasonably and in good faith, consider are or are likely to be in competition with the GZI Property Manager, the Leasing Agents will either:

- refer all such business proposals to the Manager for vetting and confirmation before the relevant Leasing Agent proceeds with such proposals or opportunities; or

- sub-contract to a third party leasing agent independent of the GZI Group, to devise and implement the relevant business proposal.

GZI, being the parent company of the Leasing Agents, has provided an undertaking to GZI REIT that it will procure that the Leasing Agents will comply with the relevant provisions set out in the tenancy services agreements in this regard.

With the objective of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of GZI REIT in a transparent manner and with built-in checks and balances. Set out below is a summary of the key components of the corporate governance policies that have been adopted and are followed by the Manager and GZI REIT.

Authorisation Structure

GZI REIT is a unit trust authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The Manager has three persons who are approved as Responsible Officers pursuant to the requirements of section 125 of the SFO and Rule 5.4 of the REIT Code, and Mr Liang Ningguang and Mr Liu Yongjie, the executive Directors of the Manager are also Responsible Officers of the Manager pursuant to the requirements of section 125 of the SFO.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29) and is qualified to act as a trustee for authorised collective investment schemes under the SFO and the REIT Code.

Roles of the Trustee and Manager

The Trustee is responsible under the Trust Deed for, amongst other things, the safe custody of the assets of GZI REIT held by it on behalf of Unitholders. The Manager's role under the Trust Deed is to manage GZI REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of GZI REIT's assets are professionally managed in the sole interests of the Unitholders.

Functions of the Board

The board of Directors of the Manager ("Board") currently comprises six members, three of whom are INEDs.

The Board principally oversees the day-to-day management of the Manager's affairs and the conduct of its business and is responsible for the overall governance of the Manager. The Board's function is largely separate from, and independent of, the executive management function. The Board leads and guides the Manager's corporate strategy and direction. Day-to-day management functions and certain supervisory functions have been delegated to relevant committees of the Board and a schedule of matters specifically reserved to the Board has been formally adopted. The Board exercises its general powers within the limits defined by the Manager's articles of association ("Articles of Association"), with a view to ensuring that management discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the Manager. In accordance with the REIT Code, the Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty.

Roles of the Key Board Members

The roles of the key members of the Board are as follows:

- Chairman - responsible for the overall leadership of the Board and the Manager generally.
- Chief Executive Officer - responsible for the day-to-day operations of the Manager and supervises the Manager's management team to ensure that GZI REIT is operating in accordance with its stated strategies, policies and regulations.
- INEDs - govern the Manager through the Board and their participation in Board committees.

Board Composition

The composition of the Board is determined using the following principles:

- the Board should comprise Directors with a broad range of commercial experience, including expertise in funds management and the property industry; and
- at least one-third of the Board (and, in any event, not less than three Directors) should comprise INEDs.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

Board Committees

The Board has the power to delegate to committees consisting of such numbers of its body as it thinks fit. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been set up with clear terms of reference to review specific issues or items and to then submit their findings and recommendations to the full Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the full Board and not the committees.

The committees of the Board are as follows:

Audit Committee

The Audit Committee comprises INEDs only (at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise) and should have at least three members. Among other matters, it reviews the completeness, accuracy and fairness of GZI REIT's financial statements and considers the scope, approach and nature of internal and external audit reviews, and is responsible for the overall risk management. The Audit Committee appoints external auditors, reviews their reports and guides management to take appropriate actions to remedy faults or deficiencies identified in internal control. The Audit Committee is also responsible for reviewing and monitoring connected party transactions.

Finance and Investment Committee

The Finance and Investment Committee comprises four Directors, including the Chairman, the Chief Executive Officer and at least one INED. It is responsible for, among other matters, evaluating and making recommendations on proposed acquisitions and disposals of assets, approving budgets and reviewing actual expenses on all key expenditures and reviewing the quarterly financial performance, forecasts and annual financial plan of the Manager and GZI REIT. The Finance and Investment Committee also reviews and recommends changes to financial authorities, policies or procedures in areas such as accounting, taxes, treasury, distribution payout, investment appraisal, management and statutory reporting.

Disclosures Committee

The Disclosures Committee comprises the Chief Executive Officer and at least one INED. Among other matters, it is responsible for reviewing matters relating to the regular, urgent and forward looking disclosure of information to Unitholders and public announcements and circulars. The Disclosures Committee also oversees compliance with applicable legal requirements (including those relating to GZI REIT's connected party transactions) and the continuity, accuracy, clarity, completeness and currency of information disseminated by the Manager and GZI REIT to the public and applicable regulatory agencies.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises the Chief Executive Officer and at least three other Directors, one of whom must be an INED. Among other matters, it reviews the terms and conditions of employment of all staff and Directors (other than the members of the Remuneration Committee, whose remuneration is determined by the Board) and recommends the manpower deployment plan (including the succession plan for the management of the Manager and the Board), remuneration and retirement policies and packages. It ensures that no Director is involved in deciding his own remuneration. It is also responsible for reviewing the structure, size and composition of the Board and its committees on an ongoing basis and for nominating, and providing recommendations on, persons for appointment, re-appointment or removal as Directors. If a member of the Remuneration and Nomination Committee is subject to re-appointment or removal, then such Director will abstain from participating in such discussions.

Board Meetings

Board meetings will normally be held at least four times a year at approximately quarterly intervals. To ensure that Directors will be given sufficient time to consider the issues to be tabled at the various Board meetings, details of the venue, time and agenda of the meeting are required to be given at least 10 clear days in advance of the meeting (except if there are exceptional circumstances or if the majority of Directors agree to a shorter period of notice).

No Board meeting, or any adjourned Board meeting, will be quorate unless a simple majority of Directors for the time being (excluding any Directors which the Manager has a right to exclude for that purpose, whether pursuant to a contract or otherwise) are present at the time when the relevant business is transacted. A Director who, whether directly or indirectly, has a material interest in a contract or proposed contract with the Manager, which is of significance to the Manager's business, must declare the nature of his interest either at the earliest Board meeting or by giving a general notice to the Board before the question of entering into the contract is taken into consideration on behalf of the Manager.

A Director who is prohibited from voting by reason of a conflict of interest will not be counted for the purposes of establishing the necessary quorum for the meeting.

Matters to be considered by the Board will be adopted on the basis of a simple majority of votes.

Appointment and Removal of Directors

Directors may be nominated for appointment by the Board following a recommendation made by the Remuneration and Nomination Committee. All Directors will be appointed for specific terms. One-fourth of the INEDs who are subject to retirement by rotation (if necessary, rounded up to the nearest whole number) will retire at every annual general meeting from and including the first annual general meeting and the retiring Directors on each occasion will be those who have been longest in office since their last appointment or re-appointment, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by ballot. INEDs may serve up to a maximum term of nine years. There is no maximum term for other Directors.

The Chairman has been appointed for an initial term of three years. Upon the expiration of such initial term, he may be re-appointed as a Chairman for up to a maximum term of six consecutive years (including the initial term).

A Director may also be removed from office if served with a notice of removal signed by all of the other Directors. An outgoing Director must abstain from voting in respect of a resolution proposed at a Board meeting in respect of the appointment of his successor or his re-appointment.

Pursuant to the Articles of Association, a Director will need to vacate his office in certain circumstances, such as in the event that he becomes bankrupt, is convicted of an indictable offence, has been absent from Directors meetings for six months or more without special leave of absence from the Board or fails to comply with the required standard set out in any code of conduct adopted by the Board and the Board resolves that he is thereby disqualified to continue as a Director.

General Meetings

GZI REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The Trustee or the Manager may at any time convene a meeting of Unitholders. The Manager will also convene a meeting if requested in writing by not less than two Unitholders registered as together holding not less than 10.0% of the issued and outstanding Units. Except for annual general meeting where at least 21 days notice of the meeting will be given, at least 14 days' notice of other meetings will be given to the Unitholders and the notice will specify the time and place of the meeting and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding not less than 10.0% of the Units for the time being in issue will form a quorum for the transaction of all business, except for the purpose of passing a special resolution. The quorum for passing a special resolution will be two or more Unitholders present in person or by proxy registered as holding not less than 25.0% of the Units in issue. The quorum for an adjourned meeting shall be such number of Unitholders who are present in person or by proxy regardless of the number of Units held by them.

Reporting and Transparency

GZI REIT will prepare its financial statements in accordance with Hong Kong Financial Reporting Standards with a financial year-end of 31 December and a financial half-year of 30 June. In accordance with the REIT Code, the annual report and financial statements for GZI REIT will be published and sent to Unitholders no later than four months following each financial year-end and the interim results no later than two months following each financial half-year. In addition, GZI REIT aims to provide Unitholders with relevant operational information, such as occupancy levels and utilisation rates of the properties that it holds, along with the publication of such financial results following each financial year-end and financial half-year.

As required by the REIT Code, the Manager will ensure that public announcements of material information and developments with respect to GZI REIT will be made on a timely basis in order to keep Unitholders appraised of the position of GZI REIT.

Distribution Payments

In accordance with the Trust Deed, GZI REIT is required to distribute not less than 90% of Total Distributable Income to Unitholders. The Manager's policy is to distribute to Unitholders 100% of GZI REIT's Total Distributable Income for each of the 2006, 2007 and 2008 financial years and thereafter at least 90% of GZI REIT's annual Total Distributable Income in each subsequent financial year.

Issues of New Units Post-Listing

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights; (ii) as consideration for the acquisition of additional real estate; and (iii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an ordinary resolution is obtained, provided that the number of Units issued under (i) and (ii) shall not exceed an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year.

The Manager and GZI REIT may issue Units or convertible instruments to a connected person, without the requirement of obtaining Unitholders approval where (i) the connected person receives a pro-rata entitlement in its capacity as a Unitholder; (ii) Units are issued to the Manager to satisfy part or all of the Manager's remuneration or (iii) when Units or convertible instruments are issued to a connected person within 14 days in a place and top up exercise, subject to certain conditions.

Interests of, and Dealings in Units by, the Manager as well as Directors and Senior Management of the Manager

To monitor and supervise any dealings of Units by the Directors and their associates, the Manager has adopted a code containing rules on dealings by the Directors and associated parties ("Code Governing Dealings in Units by Directors") equivalent to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules. Pursuant to this code, Directors wishing to deal in the Units must first have regard to Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct as if these provisions of the SFO applied to the securities of GZI REIT. In addition, there are occasions where Directors cannot deal in the Units even though the requirements of the SFO, if it applied, would not be contravened. A Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself or others. The Manager shall be subject to the same disclosure requirements as the Directors, mutatis mutandis.

Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or connected party transactions under the REIT Code or any price-sensitive information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in GZI REIT's securities for a similar period.

Interests held by Directors and their associates will be published in the annual and interim reports of GZI REIT. To facilitate this, the Manager has adopted a code containing rules on disclosure of interests by Directors. The Manager shall be subject to the same dealing requirements as the Directors, mutatis mutandis.

The above codes may also be extended to senior executives, officers and other employees of the Manager or GZI REIT as the Board may determine.

The Manager has also adopted procedures for monitoring of disclosure of interests by Directors, the chief executive of the Manager, and the Manager. The provisions of Part XV of the SFO are deemed by the Trust Deed to apply to, among other things, the Manager, the Directors and chief executive of the Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5.0% or more of the Units in issue will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange, the Trustee and the Manager of their holdings in GZI REIT. The Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection by the public without charge during such hours as the register of Unitholders is available for inspection. In addition, the Manager maintains a website containing all important information concerning GZI REIT. The Manager shall cause copies of all disclosure notices received to be promptly posted to its website.

Matters to be Decided by Unitholders by Special Resolution

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, among other things, removing the Trustee, removing the Manager and approving the termination of GZI REIT.

Confirmation of Compliance with Code Governing Dealings in Units by Directors

Specific enquiry has been made of all Directors and Manager and all of them confirmed they had complied with the required standard set out in the Code Governing Dealings in Units by Directors.

Public Float

Based on the information that is publicly available as at the date of this report, the Manager reports there was more than 25% of the Units held in public hands as required under the Listing Rules and the REIT Code.

Compliance with Compliance Manual

The Manager has complied with the provisions of its Compliance Manual.

Auditors

The financial statements of GZI REIT have been audited by PricewaterhouseCoopers. They have been re-appointed for performing the audit for the financial year ending 31 December 2009.

The connected party transaction rules of the REIT Code govern transactions between the GZI REIT Group and its connected persons (as defined in Rule 8.1 of the REIT Code). Such transactions will constitute connected party transactions for the purposes of the REIT Code.

The Manager and Significant Holder Group

Set out below is the information in respect of the connected party transactions involving GZI REIT and its connected persons:

Acquisition of Yue Xiu Metropolis

We completed the acquisition of 72.3% of the total floor area of Yue Xiu Neo Metropolis Plaza with a total area of approximately 61,964 square meters at a consideration of HK$677.3 million on 1 June 2008.

Vendor	Relationship with GZI REIT	Date of Agreement	Property Acquired	Consideration	Payment
Guangzhou Investment (China Property) Company Limited	Subsidiary of a substantial holder	14 Jan 2008	Metrogold Development Limited	HK$677.3 million	HK$474.1 million in cash 65,922,687 consideration units at the price of HK3.08 per Unit

Leasing Transactions

Certain portions of City Development Plaza and Yue Xiu Metropolis have been leased to connected parties (as defined in the REIT Code) of GZI REIT in relation to the Manager ("Manager Group"). Details are as follows:

Tenant	Location of unit	Relationship with GZI REIT	GFA (sq.m.)	Lease commencement/ renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income for the Reporting Year 2008 (HK$)[1]
City Development Plaza									
Yicheng	1st floor	an associate of the Manager	97.0	1 May 2007	485	5	0	3	6,541
GZI	16th floor	a significant holder	1,060.5	1 Jan 2008	100,747	95	0	2	1,358,845
Guangzhou office of Yue Xiu	16th floor	a significant holder	46.1	1 Jan 2008	4,380	95	0	2	59,076
Guangzhou Xingye Real Estate Agent Co., Ltd.	24th floor	an associate of the Manager	818.07	1 Nov 2007	77,717	95	0	1.25	1,048,223
								Sub-total:	2,472,685
Yue Xiu Metropolis									
Guangzhou City Construction and Development Hongcheng Car Park Properties Management Co., Ltd. ("Hongcheng")[1]	Basement 2nd, 3rd floors	an associate of the Manager	7,621.03	1 Jul 2007	83,333.33	11	180	3.9	655,649
								Total:	3,128,334

(1) Conversion was made at the rate of RMB0.8897 to HK$1.00.

(2) This lease was granted by Guangzhou Jieyacheng Properties Ltd before the signing of the sale and purchase agreement in respect of the equity interests in Metrogold, the SPV indirectly holding the Yue Xiu Metropolis.

Property Management Agreements

The following table sets forth information for the year in relation to the property management services provided by the connected parties to the properties of GZI REIT:

Property Manager	Relationship with GZI REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for the year ended 31 Dec 2008
White Horse Property Manager	Associate of Manager	White Horse Building	18 Oct 2008	Property Management Agreement	N/A
Yicheng	Associate of Manager	Fortune Plaza	1 Jul 2008	Property Management Agreement	N/A
Yicheng	Associate of Manager	City Development Plaza	19 Jul 2008	Property Management Agreement	N/A
Yicheng	Associate of Manager	Victory Plaza	7 Dec 2005	Property Management Agreement	N/A
Yicheng	Associate of Manager	Yue Xiu Metropolis	28 Dec 2007	Property Management Agreement	N/A

Tenancy services agreements

The following table sets forth information for the year in relation to the tenancy services provided by the connected parties to the properties of GZI REIT:

Service provider	Relationship with GZI REIT	Property	Nature of transaction	Date of Agreement	Amount paid/ payable for the year ended 31 Dec 2008
White Horse Property Manager	Associate of Manager	White Horse Building	Tenancy Services Agreement	8 Dec 2008	HK$8,909,000
Yicheng	Associate of Manager	Fortune Plaza	Tenancy Services Agreement	8 Dec 2008	HK$2,434,000
Yicheng	Associate of Manager	City Development Plaza	Tenancy Services Agreement	8 Dec 2008	HK$2,196,000
Yicheng	Associate of Manager	Victory Plaza	Tenancy Services Agreement	8 Dec 2008	HK$2,081,000
Yicheng	Associate of Manager	Yue Xiu Metropolis	Tenancy Services Agreement	2 Jun 2008	HK$1,318,000
Yicheng	Associate of Manager	Fortune 1701	Tenancy Services Agreement	24 Aug 2008	HK$6,000

Trade Mark Licence Agreements

The following table sets forth information for the year in relation to the trade mark licences granted by the connected parties to GZI REIT:

Grantor	Relationship with GZI REIT	Property	Nature of transaction	Amount paid/ payable for the year ended 31 Dec 2008	Licence Period
White Horse Property Manager	Associate of Manager	White Horse Building	Trade Mark Licence Agreement (6)	—	1 January 2007 to 27 November 2016 and 30 January 2017
Yue Xiu	Associate of Manager	Fortune Plaza	Trade Mark Licence Agreement	—	Perpetuity subject to early termination terms

Waiver from Strict Compliance

In connection with the acquisition of the equity interests in Metrogold, a waiver from strict compliance with the disclosure and approval requirements under Chapter 8 of the REIT Code in respect of the existing leasing transactions of GZI REIT, the existing property management arrangement and the tenancy services agreement of the existing properties, together with the new leasing transaction, the new property management arrangement and the new tenancy services agreement, as mentioned above, between the Group and persons which are connected with GZI REIT as a result of their connection with the Manager has been granted by the SFC on 21 February 2008, subject to annual limitation as to the capped value of such transactions, review by the auditors for each relevant financial period, annual review by the Audit Committee and the independent non-executive directors ("INED") and other terms and conditions. For detailed terms and conditions of the waiver, please refer to the circular dispatched to Unitholders on 4 February 2008.

Renovation of Levels 8 and 9 of White Horse Building

Service provider	Relationship with GZI REIT	Date of Agreement	Nature of transaction	Payment within the Reporting Year
Guangzhou City Construction & Development Decoration Limited	A subsidiary of substantial holder	26 Jan 2006	Renovation	RMB20,707[1]

1. Release of 5% retention money on 16 September 2008.

HSBC Group*

(*Note: "HSBC Group" means The Hongkong and Shanghai Banking Corporation Limited ("HSBC") and its subsidiaries and, unless expressly stated, shall not include the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee except those subsidiaries formed in its capacity as the trustee of GZI REIT)).

Leasing Transactions

Certain portions of the Fortune Plaza Units have been leased to members of the HSBC Group. Details are as follows:

Tenant	Location of unit	GFA (sq.m.)	Lease commencement date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income for the Reporting Year 2008 (HK$)[1]
HSBC Software Development (Guangdong) Limited	4th storey	4,275.1	1 Feb 2008	354,833	83	0	3	4,785,730
	5th storey	4,275.1	1 Feb 2008	354,833	83	0	3	4,785,730
	3rd storey	2,000	1 Dec 2006	166,000	83	60	4.2	2,319,083
							Total:	**11,890,543**

1. Conversion at the rate of RMB0.8897 to HK$1.00.

Corporate Finance Transactions and Ordinary Banking Services

The following table sets forth information for the year in relation to the Corparate Finance Transactions made between the HSBC Group and GZI REIT within the year:

Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/ payable within the Reporting Year	Amount of interest paid/payable within the Reporting Year
Loan	7 December 2005	US$63.9 million	US$63.9 million (HK$498.42 million) HK$359,000	HK$20,628,000
US$/ RMB and floating rate/ fixed rate Swap Agreements	7 December 2005 (Terminated as at 12 November 2008)	Notional principal amounts of US$63.9million/ RMB516.5 million	HK$89.1million	N/A
Loan	1 June 2008	HK$485 million	—	HK$7,875,000
Loan[1]	6 November 2008	HK$310 million	HK$528,000	HK$2,237,000
Financial Advisory		N/A (Advise on acquisition of Yue Xiu Neo Metropolis)	HK1,386,000	N/A

[1]HSBC was one of the lending banks and acted as the agent and security agent for the lending bank.

REIT Holdco, Partat, Keen Ocean, Full Estates, Moon King and Metrogold Development Ltd ("Metrogold") have maintained interest bearing accounts with HSBC at arm's length and on commercial terms for deposits during the Reporting Year.

Waiver from Strict Compliance

A waiver from strict compliance with the disclosure requirement and Unitholders' approval under Chapter 8 of the REIT Code in respect of the above transactions with connected persons of the Trustee has been granted by the SFC on 8 December 2005 subject to specific caps on fees payable by GZI REIT for corporate finance services, review by the auditors for each relevant financial period, annual review by the Audit Committee and the INEDs and other terms and conditions. Details of the Waiver and its terms and conditions have been published in the Offering Circular.

Confirmation by the Audit Committee and the INEDs

The INEDs and the Audit Committee of the Manager confirm that they have reviewed the terms of all relevant connected party transactions including those connected party transactions with the Manager Group and the HSBC Group and that they are satisfied that these transactions have been entered into:

(a) in the ordinary and usual course of business of GZI REIT;

(b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to or from GZI REIT than terms available from or to (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement and the Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

Confirmation by the Manager and Trustee on corporate finance transaction with the HSBC Group

Both the Manager and the Trustee have confirmed that there is no corporate finance transaction nor other connected transaction (save for those disclosed above) with the HSBC Group during the Reporting Year.

Manager's Fees

During the Reporting Year, the aggregate amount of fees payable by GZI REIT to the Manager under the Trust Deed was approximately HK$32,158,000.

Trustee's Fees

During the Reporting Year, the aggregate amount of fees payable by GZI REIT to the Trustee under the Trust Deed was approximately HK$1,907,000.

Principal Valuer's Fees

During the Reporting Year, the aggregate amount of fees payable by GZI REIT to the Principal Valuer was HK$200,000.

Interests held by the Manager and its Directors and Chief Executive Officer

The REIT Code requires that connected persons of GZI REIT shall disclose their interests in Units. In addition, under the provisions of Part XV of the SFO, the Trust Deed is also deemed to be applicable, among other things, to the Manager, the Directors and the Chief Executive of the Manager.

The interests and short positions held by Directors and Chief Executive Officer of the Manager in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed are set out below:

Interests and Short Positions in the Units:

		As at 1 January 2008		As at 31 December 2008		
Name of Director	**Nature of Interest**	**Beneficial interests in Units**	**Approximate % of interest**	**Beneficial interests in Units**	**Approximate % of interest**	**% Change in Holdings**
Mr. Liang Ningguang[1]	—	Nil	—	Nil	—	—
Mr. Liu Yongjie[2]	—	Nil	—	Nil	—	—
Mr. Liang Youpan	—	Nil	—	Nil	—	—
Mr. Chan Chi On, Derek	—	Nil	—	Nil	—	—
Mr. Lee Kwan Hung, Eddie	—	Nil	—	Nil	—	—
Mr. Chan Chi Fai, Brian	—	Nil	—	Nil	—	—

1 Mr. Liang Ningguang is also a director of Yue Xiu and therefore Yue Xiu is deemed to be an associate of Mr. Liang under Rule 8.1 of the REIT Code. Accordingly, the holdings of Yue Xiu as disclosed in "Holdings of Significant Holders" are deemed to be the holdings of Mr. Liang.

2 Mr. Liu is also the Chief Executive Officer of the Manager.

HOLDINGS OF SIGNIFICANT HOLDERS

The following persons have interests or short position in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed:

Long position in the Units:

Name of Substantial Unitholder	Nature of Interest	As at 1 January 2008 Interests in Units	Approximate % of interest	As at 31 December 2008 Interests in Units	Approximate % of interest	% Change of interest
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")[1]	Beneficial	27,320	0%	27,320	0%	—
	Deemed	325,959,760	32.60%	395,415,447	37.1%	4.5%
	Total	**325,987,080**	**32.60%**	**395,442,767**	**37.1%**	**4.5%**
GZI[2]	Beneficial	—	—	—	—	
	Deemed	313,280,495	31.32%	379,253,182	35.58%	4.26%
	Total	**313,280,495**	**31.32%**	**379,253,182**	**35.58%**	**4.26%**
Dragon Yield Holdings Limited ("Dragon Yield")	Beneficial	313,280,495	31.32%	379,253,182	35.58%	4.26%
	Deemed	—	—	—	—	
	Total	**313,280,495**	**31.32%**	**379,253,182**	**35.58%**	**4.26%**

1. Further information in relation to interests of corporations controlled by Yue Xiu:

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares Long Position	Number of Shares Short Position
Excellence Enterprises Co., Ltd.	Yue Xiu	100.00	N	387,188,217	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	N	379,253,182	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	Y	5,698,282	—
GZI	Bosworth International Limited	34.11	N	379,253,182	—
Dragon Yield	GZI	100.00	Y	379,253,182	—
Sun Peak Enterprises Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	1,414,207	—
Novena Pacific Limited	Sun Peak Enterprises Ltd.	100.00	Y	1,414,207	—
Shine Wah Worldwide Limited	Excellence Enterprises Co., Ltd.	100.00	N	395,122	—
Morrison Pacific Limited	Shine Wah Worldwide Limited	100.00	Y	395,122	—
Perfect Goal Development Co., Ltd.	Excellence Enterprises Co., Ltd	100.00	N	339,342	—
Greenwood Pacific Limited	Perfect Goal Development	100.00	Y	339,342	—
Seaport Development Limited	Excellence Enterprises Co., Ltd.	100.00	N	88,082	—
Goldstock International Limited	Seaport Development Limited	100.00	Y	88,082	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	Y	4,744,230	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	N	3,483,000	—

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares Long Position	Short Position
Dragon Year Industries Limited	Yue Xiu Finance Company Limited	100.00	Y	700,000	—
Leader Power Limited	Yue Xiu Finance Company Limited	100.00	Y	2,483,000	—
Yue Xiu Securities Nominees Limited	Yue Xiu Finance Company Limited	50.00	N	300,000	—
Guangzhou Securities Nominees Limited	Yue Xiu Finance Company Limited	100.00	N	300,000	—
Easypower Investments Limited	Yue Xiu Securities Nominees Limited	50.00	Y	300,000	—
Easypower Investments Limited	Guangzhou Securities Nominees Limited	50.00	Y	300,000	—

2. The deemed interest in 379,253,182 Units were held through Dragon Yield, a 100% owned subsidiary.

HOLDINGS OF OTHER CONNECTED PERSONS

Senior Executives of the Manager

Interests in the Units held by senior executives of the Manager, being connected persons of GZI REIT, are set out below:

Name of Senior Executive	Nature of interest	As at 1 January 2008 Interests in Units	Approximate % of interest	As at 31 December 2008 Interests in Units	Approximate % of interest	% Change of interest
Mr. Ip Wing Wah	Personal	1,900	0%	1,900	0%	—
Ms. Ou Hai Jing	Personal	1,000	0%	1,000	0%	—

Save as disclosed above, the Manager is not aware of any connected persons of GZI REIT, including the Trustee and Colliers International (Hong Kong) Ltd. holding any Units as at 31 December 2008.

Unit Options

During the Reporting Year, GZI REIT or any of its controlled entities was not a party to any arrangements enabling the Directors of the Manager (including, their spouses and children under 18 years of age) to benefit through acquiring the Units in GZI REIT or any fund units of other legal entities or any derivatives of equities.

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12th March 2009

GZI REIT Asset Management Limited ("Manager")
24th Floor, 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

Dear Sirs,

RE: VALUATIONS OF VARIOUS UNITS OF THE PROPERTIES (THE "SUBJECT PROPERTIES") HELD BY GZI REAL ESTATE INVESTMENT TRUST ("GZI REIT") LOCATED IN "WHITE HORSE BUILDING", "FORTUNE PLAZA", "CITY DEVELOPMENT PLAZA", "VICTORY PLAZA" AND "YUE XIU NEO METROPOLIS PLAZA", GUANGZHOU, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

With reference to the instruction of the Manager and the Trustee on behalf of GZI REIT, we have prepared a report setting out our opinion of values of the Subject Properties for annual accounting purposes. We confirm that our valuation report is prepared on a fair and unbiased basis and we have carried out external and internal inspections, made relevant enquiries and obtained such further information as we consider necessary to allow us to provide you with our opinion of values of the Subject Properties as at 31st December 2008 (the "Date of Valuation").

The summary of market values of the Subject Properties is tabulated as follows:

No.	Properties	Market Value as at 31st December 2008		Market Value as at 31st December 2008
1.	White Horse Building	RMB2,851,500,000	or equivalent to	HK$3,233,359,791
2.	Fortune Plaza	RMB586,500,000	or equivalent to	HK$665,041,388
3.	City Development Plaza	RMB408,000,000	or equivalent to	HK$462,637,487
4.	Victory Plaza	RMB537,500,000	or equivalent to	HK$609,479,533
5.	Yue Xiu Neo Metropolis Plaza	RMB660,000,000	or equivalent to	HK$748,384,171

This report is for the use of the above addressees and for the purposes indicated and no liability to any third party can be accepted for the whole or any part of the contents of this report. Neither the whole nor any part of this valuation report nor any reference thereto may be included in any other published documents, circular or statement, nor published in any way whatsoever without prior written approval of Vigers Appraisal and Consulting Limited as to the form and context in which they may appear.

We hereby confirm that:

i) We have no present or prospective interest in the Subject Properties and are not a related corporation of nor have a relationship with the Manager, the Trustee or any other party or parties whom GZI REIT is contracting with;

ii) we are authorised to practise as valuer and have the necessary expertise and experience in valuing similar types of properties;

iii) our valuations have been prepared on fair and unbiased basis; and

iv) we are acting as an Independent Valuer as defined in "The HKIS Valuation Standards on Properties (First Edition 2005)" published by The Hong Kong Institute of Surveyors.

We hereby certify that the valuer undertaking these valuations is authorized to practise as valuer.

Our valuation report is enclosed herewith.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED

David W. I. Cheung
MRICS MHKIS RPS(GP) CREA
Executive Director

Note: Mr. David W. I. Cheung is a Registered Professional Surveyor in General Practice Division with over 24 years' valuation experience on properties in Asia Pacific including Hong Kong and the People's Republic of China.

Property Valuation Report

1. INSTRUCTION

1.1 Qualifications of the Valuer

The valuations have been prepared by David W. I. Cheung who is a Member of the Royal Institution of Chartered Surveyors ("MRICS"), a Member of the Hong Kong Institute of Surveyors ("MHKIS"), a Registered Professional Surveyor in General Practice ("RPS(GP)") under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region ("Hong Kong") and a China Real Estate Appraiser ("CREA"). He is suitably qualified to carry out the valuations and has over 24 years' of experience in valuation of properties of this magnitude and nature, and over 20 years' of property valuation experience in the PRC.

We have no pecuniary interest that could reasonably be regarded as being capable of affecting our ability to give a fair and an unbiased opinion of the values or that could conflict with a proper valuation of the Subject Properties.

1.2 Information Sources

All investigations have been conducted independently and without influence from any third parties in any way. The information provided in this report has been obtained from the Manager, relevant bureaux, the People's Municipal Government of Guangzhou and other public sources/domain.

1.3 Date of Valuation and Terms of Reference

We accept instruction to conduct valuations of the Subject Properties as at 31st December 2008 (the "Date of Valuation") from the Manager and the Trustee on behalf of GZI REIT for annual accounting purpose. Our valuations have been carried out in accordance with Chapter 6 of the "Code on Real Estate Investment Trusts" issued by the Securities and Futures Commission ("SFC") in August 2003 and amended in June 2005, and "The HKIS Valuation Standards on Properties (First Edition 2005)" published by The Hong Kong Institute of Surveyors. We have also made reference to the "International Valuation Standards (7th Edition)" published by the International Valuation Standards Committee in 2005.

Inspections of the Subject Properties were carried out in January 2009. We confirm that we have made relevant enquiries and obtained such information as we consider necessary to conduct the valuations.

2. BASIS OF VALUATION

The valuations have been carried out in accordance with "The HKIS Valuation Standards on Properties (First Edition 2005)" published by The Hong Kong Institute of Surveyors. Our valuations are made on the basis of "market value" which we would define as intended to mean "*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*". We have valued the Subject Properties in their existing state based on the assumption that the Subject Properties can be freely transferred, mortgaged or let in the prevailing market and all proper title certificates have been obtained and all land-use rights grant premium have been fully settled.

3. VALUATION CONSIDERATION

In our valuations, we have valued the Subject Properties for which the areas are based on the proper title documents. In arriving at our opinion of values, we have considered prevailing market conditions, especially those related to the office, wholesale and retail property market sectors. We have also considered lease reversionary potential such as future rent renewal rate, lease cycle duration and lease expiry profile. The valuation method adopted to arrive at our opinion of values is Income Capitalization Approach including Discounted Cash Flow Analysis.

Income Capitalisation Approach reflects the specific characteristics of the Subject Properties such as lease expiry profile, existing tenant covenants as well as current passing rental levels and reversionary rents. We therefore consider that this method is particularly relevant for REIT based purchasers. The Discounted Cash Flow Analysis reflects additional property specific characteristics of the Subject Properties such as leases duration and potential rental income growth, renewal rates, vacancy rates and all outgoings of property operation. In arriving at the market values of the Subject Properties, we have adopted the average of the values derived from Income Capitalization Approach and Discounted Cash Flow Analysis.

3.1 Income Capitalisation Approach

Income Capitalisation Approach estimates the values of the Subject Properties on a market value basis by capitalising net rental income on a fully leased basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at the market level. In calculating the net rental income, no deduction has been made from the net passing rental income which is exclusive of property management fee. In this valuation method, the assessment is divided into current passing rental income over existing lease terms (the "term value"), and potential future reversionary rental income (the "reversionary value"). The term value assessments involve capitalisation of current passing rental income over the existing lease term; whilst the reversionary value assessments are taken to be current market rental income upon the expiry of the lease and are capitalised on fully leased basis and are then discounted back to the Date of Valuation. In this approach, we have considered the appropriate term yields and reversionary yields for each property. The term yields are used for capitalisation of the current passing rental income as at the Date of Valuation; whilst the reversionary yields are adopted to convert reversionary rental income.

3.2 Discounted Cash Flow Analysis

Discounted cash flow analysis is defined in the "International Valuation Standards (7th Edition)" as a financial modelling technique based on explicit assumptions regarding the prospective cash flow to properties. Discounted cash flow analysis is commonly applied when adopting the income method of valuation which takes into account the time value of money and evaluates the value of an investment by arriving at a total net present value. The net present value of an investment is the value in current date of all present and future cash flows discounted at the appropriate discount rate to reflect the opportunity cost, which reflects the returns available on investing in an alternative of equal timing and risk, and inflation of those cash flows; whilst the total net present value is the aggregate net cash flow of each period discounted at the same. Our discounted cash flow analyses are carried out on yearly basis over a 10-year investment horizon. In arriving at our opinion of values from discounted cash flow analysis, we have made projections for the next 10-year cash flows from the Date of Valuation, and the anticipated net income of each income stream receivable thereafter is summed at a flatted growth rate in present value to reflect the future net income growth beyond the years. The analysis is based on the assumption of a cash purchase, and no allowance has been made for interest and/or any other kinds of funding costs.

4. TITLE PARTICULARS

The Subject Properties are located in the People's Republic of China (the "PRC") but we have not been provided with proper legal opinion on the laws of the PRC prepared by qualified legal advisor(s). In our valuations, we have assumed that there are good titles to the Subject Properties which can be freely disposed of in the prevailing market without paying additional land-use rights grant premium. We have been provided with a set copy of relevant documents but we have not searched the original documents to ascertain ownership nor to verify any amendments which may not appear on the copies handed to us. We have assumed that the owners of the Subject Properties have free and uninterrupted rights to use and assign the Subject Properties during the whole of the respective unexpired land-use rights' terms granted subject to the payment of usual land-use fees unless otherwise noted or specified.

5. EXCHANGE RATE

Unless otherwise stated, all monetary amounts stated in this report are denoted in Renminbi ("RMB"), the lawful currency of the PRC. For reference purpose, we have also prepared the summary of values in Hong Kong Dollars ("HK$"), the lawful currency of Hong Kong, in the cover letter of this report. The exchange rate adopted in this report is HK$1.0000 to RMB0.8819 which was prevailing as at the Date of Valuation.

6. CAVEATS AND ASSUMPTIONS

Our valuations are subject to the following caveats and assumptions.

(a) We have inspected the exterior and interior of the Subject Properties. No test has been carried out on any of the services.

(b) We assume no responsibility for legal matters nor do we render any opinion as to the titles of the Subject Properties which are assumed to be good and marketable. We are not aware of any easements or rights of way affecting the Subject Properties and our valuations assume that none exists.

(c) We have assumed that the Subject Properties have been constructed, occupied and used in full compliance with, and without contravention of, all ordinances, except only where otherwise stated. We have further assumed that, for any use of the Subject Properties upon which this report is based, any and all required licences, permits, certificates, and authorisations have been obtained, except only where otherwise stated.

(d) Our valuations have been made on the assumption that the Subject Properties can be sold in the prevailing market without the benefit of any deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which may serve to affect the values of Subject Properties. In addition, no forced sale situation in any manner is assumed in our valuations.

(e) No account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Subject Properties, and no allowance has been made for the Subject Properties to be sold to a single party and/or as a portfolio or portfolios.

(f) No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Subject Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the Subject Properties are free from encumbrances including material building defects, restrictions and outgoings of an onerous nature which may serve to affect their values.

(g) Having examined all relevant documentation, we have relied to a considerable extent on the information given by the Manager, particularly in respect of planning approvals or statutory notices, land-use rights, site and floor areas, occupancy status, rent roll, age and specifications of buildings as well as in the identification of the Subject Properties.

6. CAVEATS AND ASSUMPTIONS (continued)

(h) We have not carried out detailed on-site measurements to verify the correctness of the site and floor areas in respect of the Subject Properties but we have assumed that the site and floor areas shown on the documents handed to us are correct and accurate.

(i) Based on our experience of valuation of similar properties in the PRC, we consider that the assumptions so made are reasonable.

(j) Unless otherwise stated, all dimensions, measurements and areas included in our valuation report are based on the information contained in the documents provided to us by the Manager and are therefore approximations. We have had no reason to doubt the truth and accuracy of the information made available to us and we have been advised by the Manager that no material facts have been omitted from the information so given.

(k) The study of possible alternative development options and the related economics are not within the scope of this report.

Part A – White Horse Building

Valuation of various units of the property held by GZI REIT located in White Horse Building, Nos. 14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC (the "Property")

1. SUMMARY OF THE PROPERTY

According to the information provided by the Manager, 9 Certificates of Building Ownership have been issued in respect of the Property. The details of the Property are summarized as follows:

1.	Current Registered Owner	:	Partat Investment Limited
2.	Type of Land-use Rights	:	Granted
3.	Land-use	:	The land-use of the underlying land of White Horse Building is described as "Commercial/Office".
4.	Property Description	:	The Property forms portion of a 10-storey wholesale garment shopping centre, including eight levels above ground, a lower ground level and a basement accommodating a car park.
5.	Gross Floor Area	:	Total 50,199.3 sq.m. Retail 46,279.3 sq.m. Office 3,920.0 sq.m.
6.	Land-use Rights Term	:	Lower Ground Level 50 years from 7th June 2005 Level 1 to Level 3 40 years from 7th June 2005 Level 4 (7,164.2 sq.m.) 40 years from 7th June 2005 Level 4 (531.4 sq.m.) 50 years from 7th June 2005 Level 5 to Level 8 50 years from 7th June 2005
7.	Use	:	Lower Ground Level Storage Level 1 to Level 8 Commercial

1. SUMMARY OF THE PROPERTY (continued)

8.	Internal Floor Area of the Property	:	48,100.6 sq.m.
9.	Gross Rentable Area of the Property	:	50,423.9 sq.m.
10.	Construction Completion Date	:	1990 with extension and renovation thereafter between 1995 and 1997 as well of White Horse Building as between 1998 and 2000
11.	Market Value in Existing State as at the Date of Valuation	:	RMB2,851,500,000
12.	Net Passing Income per month as at the Date of Valuation	:	RMB21,857,866
13.	Discount Rate (adopted for Discounted Cash Flow Analysis only)	:	11.50%
14.	Term Yield	:	9.25%
15.	Reversionary Yield	:	9.25%
16.	Occupancy Rate as at the Date of Valuation	:	100.00%
17.	Vacancy Allowance (Average in next 10 years)	:	1.62%
18.	Estimated Current Net Yield	:	9.20%
19.	Remarks	:	The Property is subject to a mortgage.

2. TITLE INVESTIGATION

Gongan Building is erected on the south side of White Horse Building with gross floor area of approximately 2,700 sq.m. According to an agreement signed on 7th February 1994 between “Guangzhou City Construction & Development Group Co. Ltd.” and “Guangzhou City Gongan Bureau”, “Guangzhou City Construction & Development Group Co. Ltd.” was responsible for the design, obtaining approval and construction of Gongan Building; “Guangzhou City Gongan Bureau” was responsible for paying construction cost and land-use rights grant premium of RMB950,000 to “Guangzhou City Construction & Development Group”. “Guangzhou City Gongan Bureau” could use Gongan Building for the residual land-use rights’ terms. As advised by the Manager, we understand that the owner of the Property does not have the right to use and title ownership of Gongan Building but this will not affect the title of “Partat Investment Limited” to the Property.

3. THE PROPERTY

3.1 Situation, Locality and Land-use

White Horse Building, a 10-storey commercial wholesale centre for garment, including eight levels above ground, a lower ground level and a basement car park, is located at Nos. 14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC. The Property is close to the Guangzhou Railway Station, bus terminal and No.2 Metro Line. The Property is located in Yue Xiu District and accessibility is considered to be good. The main garment wholesale area of Guangzhou is situated around Zhan Nan Road, Yue Xiu District. The area is very popular among wholesalers because of its location close to the Guangzhou Railway Station and major expressways. According to the State-owned Land-use Rights Grant Contract signed on 28th June 2005, the land-use of the underlying land of White Horse Building is described as "Commercial/Office".

3.2 Surrounding Development and Environmental Issues

The Property is located in Yue Xiu District. Developments in the area comprise mainly commercial buildings and retail shopping and wholesale centres, interspersed with some older medium-rise residential buildings. The pedestrian flow along that section of Zhan Nan Road West is heavy as it is opposite to the bus terminal and close to the Guangzhou Railway Station. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding sites. Due to the land registration system in the PRC, we cannot trace any information regarding previous development erected upon the subject site, and therefore we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

3.3 Accessibility and Access to Public Transport

General accessibility of White Horse Building is considered good as public transportation such as taxis, buses and No. 2 Metro Line are available along Zhan Nan Road. Bus stops are located in 2 minutes walk from White Horse Building. White Horse Building is directly accessible from Zhan Nan Road. A pedestrian footbridge adjacent to the Property allows access to the Guangzhou Railway Station. The Guangzhou Railway Station is also connected to No. 2 Metro Line.

3. THE PROPERTY (continued)

3.4 Property Description

White Horse Building, a 10-storey commercial wholesale centre for garment, including eight levels above ground, a lower ground level and a basement car park, is located at No. 14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou's traditional wholesale business area. According to the information provided by the Manager, the development has a gross floor area of approximately 61,703.0 sq.m. The floor area breakdown of White Horse Building is summarized as follows:

Level *	Use	Gross Floor Area
Basement 1	Carpark, Machinery Room	5,690.9 sq.m.
Lower Ground Level	Storage	6,934.5 sq.m.
Level 1	Commercial	7,667.0 sq.m.
Level 2	Commercial	7,199.8 sq.m.
Level 3	Commercial	7,684.9 sq.m.
Level 4	Commercial	7,695.6 sq.m.
Level 5	Commercial	7,466.4 sq.m.
Level 6	Commercial	7,443.9 sq.m.
Level 7	Commercial	2,003.5 sq.m.
Level 8	Commercial	1,916.5 sq.m.
Total	:	61,703.0 sq.m.

*(*Note: Level 1, Level 2, Level 3, Level 4, Level 5, Level 6, Level 7 and Level 8 correspond to 2nd, 3rd, 4th, 5th, 6th, 7th, 8th and 9th storey in White Horse Building respectively.)*

The site of the wholesale centre comprises a regular and level plot with its main frontage on Zhan Nan Road. White Horse Building was first completed in 1990 and then underwent two separate phase extensions in between 1995 and 1997 as well as between 1998 and 2000. Car parking facilities are located on Basement Level 1. The layout and design of White Horse Building is reasonable in comparison with other wholesale centres of similar scale and grade in the locality.

3.5 Portion of Interests Held by GZI REIT

GZI REIT holds a portion of the development and the details of the interest are listed below:

Level	Use	Gross Floor Area	Internal Floor Area
Lower Ground Level	Storage	1,121.7 sq.m.	1,081.1 sq.m.
Level 1	Commercial	7,667.0 sq.m.	7,342.6 sq.m.
Level 2	Commercial	7,199.8 sq.m.	6,892.2 sq.m.
Level 3	Commercial	7,684.9 sq.m.	7,359.8 sq.m.
Level 4	Commercial	7,695.6 sq.m.	7,370.0 sq.m.
Level 5	Commercial	7,466.4 sq.m.	7,149.2 sq.m.
Level 6	Commercial	7,443.9 sq.m.	7,127.5 sq.m.
Level 7	Commercial	2,003.5 sq.m.	1,931.0 sq.m.
Level 8	Commercial	1,916.5 sq.m.	1,847.2 sq.m.
Total	:	50,199.3 sq.m.	48,100.6 sq.m.

Upon our site inspection, we noted that Level 1 to 8 were occupied as retail shops and ancillary office. As advised by the Manager, the Lower Ground Level comprises mainly common area including staircases and storage area, which is regarded as non-lettable area.

3. THE PROPERTY (continued)

3.6 Specification, Services and Finishes of the Development

White Horse Building is constructed of reinforced concrete with partly glazed and partly mosaic tiling to the exterior elevations and is decorated with marble or granite wall and floor tiles at the main lobby. Main services comprise electricity, water and telecommunications. The building is subdivided into various units on all levels and is served by 8 passenger lifts and 2 cargo lifts serving Level 1 to Level 6; 2 passenger lifts and 1 cargo lift serving Level 7 to Level 8; 12 escalators serving Level 1 to Level 4; and 17 staircases serving Level 1 to Level 8. The standard of services and finishes within the development is considered to be reasonable, commensurate with other wholesale centres in the neighbourhood. Fire safety measures include installation of automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers throughout the building.

3.7 Current Rental Income

As at the Date of Valuation, the whole of the Property was let out to various tenants. According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

Leased Gross Rentable Area	Monthly Rental Income	Annual Net Rental Income
50,423.9 sq.m.	RMB21,857,866	RMB262,294,392

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone and air-conditioning charges and so on. The Property comprises various tenants from various industries such as a bank, food & beverage, garment and so on. We are not aware of any material options or rights of pre-emption which may affect the value of the Property.

3.8 Occupancy Rate

According to the information provided by the Manager, the Property was fully leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of 100.00% of the Property held by GZI REIT.

3. THE PROPERTY (continued)

3.9 Lease Cycle Duration and Expiry Profile

In general, the typical lease terms of the wholesales tenancies are on normal commercial term. The details of the duration lease terms are shown below:

Lease term greater than (year)	Lease term less than or equal to (year)	By Area (%)
0	1	0.84%
1	2	2.22%
2	3	11.77%
3	4	28.94%
4	5	54.76%
5	6	1.47%
		100.00%

According to the renewed leases, the details of the lease expiry profile are shown below:

% of tenancies due to expire in each year	By Area (%)
End of 2008	0.98%
2009	28.94%
2010	62.85%
2011	4.00%
2012	0.00%
2013 and thereafter	3.23%
	100.00%

3.10 Summary of Material Rental Review Provisions

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

3.11 Historic Outgoings

As advised by the Manager, the total property management income covers all the property management expenses.

3. THE PROPERTY (continued)

3.12 Property Management

3.12.1 Tenancy Services Agreement

A tenancy services agreement and its extension agreement were entered into between the Manager, "Partat Investment Limited" (the "Property Company") and "White Horse Property Management Co. Ltd." (the "Leasing Agent") on 7th December 2005 and 5th December 2008 for an initial term of three years and further extended to 31st December 2010. Under these two agreements the Leasing Agent, who is also the property manager of White Horse Building, will be paid a remuneration of 3% per annum of the gross revenue ("Service Fees") receivable by the Property Company from the operation of the Property. The Leasing Agent, as the property manager of the building is entitled to retain 10% of any contributions made by the tenants towards the operating expenses of the building. The Leasing Agent agrees that, for so long as it is the property manager of White Horse Building, the Service Fees paid to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement.

3.12.2 Property Management Fee

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

4. VALUATION

4.1 Income Capitalisation Approach

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the "term and reversion" method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully leased basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within similar retail/ wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yield adopted is 9.25% and reversionary yield is 9.25%. The term yield adopted is the same as the market yield because the current passing rental income of the Property is comparable to the estimated current market rental income.

4. VALUATION (continued)

4.2 Discounted Cash Flow Analysis

In our valuation, we have adopted the discount rate of 11.50% for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centres and office buildings. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon the expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for four or five years. Upon expiry of such tenancies new leases will be granted or renewed on three years terms at the then existing market rentals. No deduction has been made for the expected repair and maintenance costs as we understand from the Manager that the repair and maintenance costs, for maintaining the current condition of the Property, are covered by the management fees paid by tenants. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items	
Discount Rate	11.50%
Growth Rate – Year 1	2.00%
Growth Rate – Year 2	3.00%
Growth Rate – Year 3	3.00%
Growth Rate – Year 4	4.00%
Growth Rate – Year 5	4.00%
Growth Rate – Year 6 to Year 10	5.00%
Vacancy Allowance (Average in the Next 10 years)	1.62%
Bad Debts	1.00%

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our Discounted Cash Flow Analysis, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items	
Service Fees based on the Tenancy	3.00% of rental income
Cost of Large Scale Repair and Maintenance	None
Sundry Expenses	0.50% of rental income
Insurance	RMB3.5/sq.m./month
Business Tax	5.00% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	12.00% of rental income
Stamp Duty	0.10% of rental income

5. OPINION OF VALUE

We have summarised the calculation results of each approach in the table below:

Valuation Methods	Opinion of Values
Income Capitalisation Approach	RMB2,860,000,000
Discount Cash Flow Analysis	RMB2,843,000,000

Based on our valuation method of Income Capitalisation Approach including Discounted Cash Flow Analysis, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation was **RMB2,851,500,000 (RENMINBI TWO BILLION EIGHT HUNDRED FIFTY ONE MILLION FIVE HUNDRED THOUSAND ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title is free from all material encumbrances or defects. The Market Value of the Property is an average of values derived by Income Capitalisation Approach and Discounted Cash Flow Analysis.

Valuation of various units of the property held by GZI REIT located in Fortune Plaza, Nos. 114, 116 and 118 Ti Yu Dong Road, Tian He District, Guangzhou, Guangdong Province, the PRC (the "Property")

1. SUMMARY OF THE PROPERTY

According to the information provided by the Manager, 9 Certificates of Building Ownership have been issued in respect of the Property. The details of the Property are summarized as follows:

1.	Current Registered Owner	:	All Portions Except Unit 1701, East Tower Moon King Limited Unit 1701, East Tower Guangzhou Jieyacheng Properties Company Limited
2.	Type of Land-use Rights	:	Granted
3.	Land-use	:	The land-use of the underlying land of Fortune Plaza was described as "Commercial/Office"
4.	Property Description	:	The Property comprises portion of a 6-storey commercial podium and two office blocks erected thereabove.
5.	Gross Floor Area	:	Total 41,355.2 sq.m. Office 37,502.1 sq.m. Retail 3,853.1 sq.m.
6.	Land-use Rights Term	:	Level 1 to Level 5 & Level 37 of East Tower and Level 27 of West Tower 40 years from 26th November 2002 Level 8 to Level 9, Level 11 to Level 14, Level 17, Level 19, Level 25 to Level 28 & Level 34 to 36 of East Tower and Level 8 to Level 19 & Level 24 to 26 of West Tower 50 years from 26th November 2002
7.	Use	:	Level 1 to Level 5 & Level 37 of East Tower and Level 27 of West Tower Commercial Level 8 to Level 9, Level 11 to Level 14, Level 17, Level 19, Level 25 to Level 28 & Level 34 to 36 of East Tower and Level 8 to Level 19 & Level 24 to 26 of West Tower Office
8.	Internal Floor Area of the Property	:	31,389.6 sq.m.
9.	Gross Rentable Area of the Property	:	41,293.05 sq.m.

1. SUMMARY OF THE PROPERTY (continued)

10. Construction Completion Date	:	2003
11. Market Value in Existing State as at the Date of Valuation	:	RMB586,500,000
12. Net Passing Income per month as at the Date of Valuation	:	RMB4,750,043
13. Discount Rate (adopted for Discounted Cash Flow Analysis only)	:	11.50%
14. Term Yield	:	Office 9.50% Retail 10.50%
15. Reversionary Yield	:	Office 9.50% Retail 10.50%
16. Occupancy Rate as at the Date of Valuation	:	98.50%
17. Vacancy Allowance (Average in next 10 years)	:	Office 3.26% Retail 5.20%
18. Estimated Current Net Yield	:	9.72%
19. Remarks	:	The property is subject to a mortgage.

2. THE PROPERTY

2.1 Situation, Locality and Land-use

Fortune Plaza is located at Nos. 114, 116 and 118 Ti Yu Dong Road, Tian He District, Guangzhou, Guangdong Province, the PRC. It is in close proximity to the Guangzhou East Train Station and Metro Station with interchange of Nos. 1 and 3 Metro Line. Tian He District is a rapidly developing area in Guangzhou and is the present focus of new Grade-A office developments. Located on the eastern side of Guangzhou, the majority of major developments in the area are situated around and overlook Tian He Stadium. This district has emerged as the new Central Business District ("CBD") of Guangzhou within the last few years, and its increasing popularity with the business community has led to rapid development of commercial buildings around the stadium area, with new developments initially located near the central square but gradually expanding outwards from it.

2.2 Surrounding Development and Environmental Issues

The Property is located in Tian He District. Developments in the area comprise mainly modern high-rise commercial buildings and low-rise retail shopping centres, interspersed with older medium-rise residential buildings. The pedestrian flow along the section of where the Property located is heavy as it is being at the busier side of Tian He Stadium. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding areas. Due to the land registration system in the PRC, we cannot trace any information regarding previous developments erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2. THE PROPERTY (continued)

2.3 Accessibility and Access to Public Transport

General accessibility of Fortune Plaza is considered good as public transportation such as taxis and buses are available along Ti Yu Dong Road, a major roadway in Guangzhou. Bus stops and a metro station are located adjacent to Fortune Plaza. Fortune Plaza is located in approximately 5 minutes' driving distance from Guangzhou East Train Station. Fortune Plaza is directly accessible from Ti Yu Dong Road. A pedestrian subway adjacent to the Property allows access to Tian He Stadium.

2.4 Property Description

Fortune Plaza, a Grade-A commercial complex, is located at Nos. 114, 116 and 118 Ti Yu Dong Road, Tian He District, in Guangzhou's prime business area. According to the information provided by the Manager, the development has a gross floor area of approximately 81,418.1 sq.m. The floor area breakdown of Fortune Plaza is summarized as follows:

Level	**Use**	**Gross Floor Area**
Basement 1	Carpark and Machinery Plant Room	8,561.6 sq.m.
Podium: Level 1 to Level 6	Commercial	23,993.0 sq.m.
Level 7	Machinery Plant Room	
East Tower	Level 7 – Office	999.0 sq.m.
	Level 8 to Level 36 – Office	28,900.3 sq.m.
	Level 37 – Commercial	
West Tower	Level 8 to Level 26 – Office	18,964.2 sq.m.
	Level 27 – Commercial	
Total	:	81,418.1 sq.m.

The site of the building comprises a regular and level plot with its main frontage abutting Ti Yu Dong Road upon which a 6-storey commercial podium with two office towers have been erected and were completed in 2003. The East Tower is above the podium from the 8th to 37th storey and the West Tower from the 8th to 27th storey. The main entrance of Fortune Plaza abuts Ti Yu Dong Road. General accessibility of Fortune Plaza is good as public transportation such as metro system, buses and taxis are available along Ti Yu Dong Road which is a main roadway in Guangzhou. Car parking facilities are provided on 2 basement levels' carpark; while a platform garden, a club and other ancillary facilities are located on Level 7. The layout and design of Fortune Plaza is reasonable in comparison with other office buildings of similar scale and grading in the locality.

2.5 Portion of Interests Held by GZI REIT

GZI REIT holds a portion of the development and the details of the interests are listed below:

Level/Unit	**Use**	**Gross Floor Area**	**Internal Floor Area**
Podium, Ti Yu Dong Road			
No. 118, Unit 109	Commercial	1,007.4 sq.m.	968.9 sq.m.
No. 118, Level 2	Commercial	2,845.7 sq.m.	2,275.8 sq.m.
No. 118, Level 3	Commercial	4,275.1 sq.m.	3,593.0 sq.m.
No. 118, Level 4	Commercial	4,275.1 sq.m.	3,593.0 sq.m.
No. 118, Level 5	Commercial	4,275.1 sq.m.	3,593.0 sq.m.

2. THE PROPERTY (continued)

2.5 Portion of Interests Held by GZI REIT (continued)

Level/Unit	Use	Gross Floor Area	Internal Floor Area
East Tower, Ti Yu Dong Road			
No. 116, Unit 801	Office	180.2 sq.m.	115.0 sq.m.
No. 116, Unit 802	Office	124.7 sq.m.	79.5 sq.m.
No. 116, Unit 803	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 805	Office	191.7 sq.m.	122.3 sq.m.
No. 116, Unit 806	Office	124.8 sq.m.	79.6 sq.m.
No. 116, Unit 808	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 903	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 905	Office	191.7 sq.m.	122.3 sq.m.
No. 116, Unit 906	Office	124.8 sq.m.	79.6 sq.m.
No. 116, Unit 908	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 1101	Office	180.2 sq.m.	115.0 sq.m.
No. 116, Unit 1102	Office	124.7 sq.m.	79.6 sq.m.
No. 116, Unit 1108	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 1201	Office	179.7 sq.m.	115.2 sq.m.
No. 116, Unit 1202	Office	125.0 sq.m.	80.2 sq.m.
No. 116, Unit 1203	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1205	Office	191.7 sq.m.	122.9 sq.m.
No. 116, Unit 1206	Office	125.1 sq.m.	80.2 sq.m.
No. 116, Unit 1208	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1301	Office	179.7 sq.m.	115.2 sq.m.
No. 116, Unit 1302	Office	125.0 sq.m.	80.2 sq.m.
No. 116, Unit 1303	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1306	Office	191.7 sq.m.	122.9 sq.m.
No. 116, Unit 1305	Office	125.1 sq.m.	80.2 sq.m.
No. 116, Unit 1308	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1401	Office	179.7 sq.m.	115.2 sq.m.
No. 116, Unit 1402	Office	125.0 sq.m.	80.2 sq.m.
No. 116, Unit 1403	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1405	Office	191.7 sq.m.	122.9 sq.m.
No. 116, Unit 1406	Office	125.1 sq.m.	80.2 sq.m.
No. 116, Unit 1408	Office	188.7 sq.m.	121.0 sq.m.
No. 116, Unit 1701	Office	999.0 sq.m.	637.4 sq.m.
No. 116, Unit 1901	Office	180.2 sq.m.	115.0 sq.m.
No. 116, Unit 1902	Office	124.7 sq.m.	79.5 sq.m.
No. 116, Unit 1903	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Unit 1905	Office	191.7 sq.m.	122.3 sq.m.
No. 116, Unit 1906	Office	124.8 sq.m.	79.6 sq.m.
No. 116, Unit 1908	Office	188.8 sq.m.	120.5 sq.m.
No. 116, Units 2501 & 2601	Office	1,586.4 sq.m.	1,240.8 sq.m.
No. 116, Unit 2705	Office	188.7 sq.m.	121.8 sq.m.
No. 116, Unit 2801	Office	180.3 sq.m.	115.4 sq.m.
No. 116, Unit 3401	Office	180.4 sq.m.	115.0 sq.m.
No. 116, Units 3501 & 3601	Office	1,392.2 sq.m.	1,029.3 sq.m.
No. 116, Level 37	Commercial	302.2 sq.m.	181.0 sq.m.

2. THE PROPERTY (continued)

2.5 Portion of Interests Held by GZI REIT (continued)

Level/Unit	Use	Gross Floor Area	Internal Floor Area
West Tower, Ti Yu Dong Road			
No. 114, Level 8	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Level 9	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Level 10	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Unit 1101	Office	189.3 sq.m.	120.5 sq.m.
No. 114, Unit 1102	Office	125.0 sq.m.	79.5 sq.m.
No. 114, Unit 1103	Office	179.7 sq.m.	114.4 sq.m.
No. 114, Unit 1105	Office	189.3 sq.m.	120.5 sq.m.
No. 114, Unit 1106	Office	125.0 sq.m.	79.6 sq.m.
No. 114, Unit 1108	Office	189.3 sq.m.	120.5 sq.m.
No. 114, Unit 1201	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1202	Office	125.7 sq.m.	81.1 sq.m.
No. 114, Unit 1203	Office	179.4 sq.m.	115.8 sq.m.
No. 114, Unit 1205	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1206	Office	125.7 sq.m.	81.1 sq.m.
No. 114, Unit 1208	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1301	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1302	Office	125.7 sq.m.	81.1 sq.m.
No. 114, Unit 1303	Office	179.4 sq.m.	115.8 sq.m.
No. 114, Unit 1305	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1306	Office	125.7 sq.m.	81.1 sq.m.
No. 114, Unit 1308	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1401	Office	189.0 sq.m.	122.0 sq.m.
No. 114, Unit 1402	Office	125.7 sq.m.	81.1 sq.m.
No. 114, Unit 1403	Office	179.4 sq.m.	115.8 sq.m.
No. 114, Level 15	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Level 16	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Level 17	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Level 18	Office	997.7 sq.m.	779.6 sq.m.
No. 114, Unit 1902	Office	125.9 sq.m.	81.6 sq.m.
No. 114, Unit 1903	Office	179.3 sq.m.	116.2 sq.m.
No. 114, Unit 1905	Office	188.8 sq.m.	122.4 sq.m.
No. 114, Unit 1906	Office	125.9 sq.m.	81.6 sq.m.
No. 114, Units 2401 & 2501	Office	1,591.4 sq.m.	1,243.6 sq.m.
No. 114, Level 26	Office	646.8 sq.m.	446.0 sq.m.
No. 114, Level 27	Office	335.8 sq.m.	180.4 sq.m.
Total	:	41,355.2 sq.m.	31,389.6 sq.m.

2. THE PROPERTY (continued)

2.6 Specification, Services and Finishes of the Development

Fortune Plaza is constructed of reinforced concrete with glazed tiling to the exterior elevations and is decorated with marble or granite wall and floor tiles in the main lobby. The specification of the building includes central air-conditioning system. Main services of the building comprise electricity, water and telecommunications. The building is subdivided into various units on all levels and is served by 10 passenger lifts and 2 cargo lifts serving all levels. The standard of services and finishes within the development is considered to be reasonable commensurate to other office buildings in the neighbourhood. The building is maintained in a reasonable condition commensurate with its age. Fire safety measures include installation of automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers throughout the building.

2.7 Current Rental Income

As at the Date of Valuation, about 1.50% of the Property was vacant. According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

Leased Gross Rentable Area	Monthly Rental Income	Annual Net Rental Income
40,673.52 sq.m.	RMB4,750,043	RMB57,000,511

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as finance, insurance, property, information technology, telecommunications, manufacturing, engineering, shipping and so on.

2.8 Occupancy Rate

According to the information provided by the Manager, the majority portion of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 98.50% of the Property held by GZI REIT.

2.9 Lease Cycle Duration and Expiry Profile

In general, the typical lease terms of the wholesales tenancies are on normal commercial term. The details of the duration lease terms are shown below:

Lease term greater than (year)	Lease term less than or equal to (year)	By Area (%)
0	1	7.5%
1	2	30.2%
2	3	44.5%
3	4	2.3%
4	5	9.1%
5	6	6.4%
		100.00%

2. THE PROPERTY (continued)

2.9 Lease Cycle Duration and Expiry Profile

The details of the lease expiry profile are shown below:

% of tenancies due to expire in each year	By Area (%)
End of 2008	0.00%
2009	35.66%
2010	27.66%
2011	30.79%
2012	0.00%
2013 and thereafter	5.89%
	100.00%

2.10 Summary of Material Rental Review Provisions

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

2.11 Historic Outgoings

As advised by the Manager, the property management income covers all the property management expenses.

2.12 Property Management

2.12.1 Tenancy Services Agreement

A tenancy services agreement was entered into between the Manager, Moon King Limited (the "Property Company") and Guangzhou Yicheng Property Management Ltd. (the "Leasing Agent") on 7th December 2005 for an initial term of three years. Under this agreement the Leasing Agent, who is also the property manager of Fortune Plaza, is entitled to a remuneration of 4% of the gross revenue per annum ("Service Fees") receivable by the Property Company from the operation of the Property. The Leasing Agent, as the property manager of the building, is entitled to retain 10% of any contributions made by the tenants towards the operating expenses of the building. The Leasing Agent agrees that, for so long as it is the property manager of Fortune Plaza, the Service Fees payable to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement.

2.12.2 Property Management Fee

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

3. VALUATION

3.1 Income Capitalisation Approach

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the "term and reversion" method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully leased basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within similar retail/ wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yields adopted to office and retail portions are 9.50% and 10.50% respectively; and reversionary yields adopted to office and retail portions are 9.50% and 10.50% respectively. The term yield adopted to retail portion is lower than the market yield because the current passing rental income of the retail portion of the Property is lower than the estimated current market rental income.

3.2 Discounted Cash Flow Analysis

In our valuation, we have adopted the discount rate of 11.50% for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centres and office buildings. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon the expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for four or five years. Upon expiry of such tenancies new leases will be granted or renewed on three years terms at the then existing market rentals. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items	Office Portion	Retail Portion
Discount Rate	11.50%	11.50%
Growth Rate – Year 1	2.00%	3.00%
Growth Rate – Year 2	2.00%	3.00%
Growth Rate – Year 3	3.00%	4.00%
Growth Rate – Year 4	3.50%	4.00%
Growth Rate – Year 5	4.00%	4.00%
Growth Rate – Year 6 to Year 10	4.00%	4.50%
Vacancy Allowance (Average in the Next 10 years)	3.26%	5.20%
Bad Debts	1.00%	1.00%

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

3. VALUATION (continued)

3.2 Discounted Cash Flow Analysis (continued)

In our Discounted Cash Flow Analysis, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items	
Service Fees based on the Tenancy	4.00% of rental income
Cost of Large Scale Repair and Maintenance	Totally RMB2,688,956 in the next 10 years
Sundry Expenses	0.20% of rental income
Insurance	RMB3.5/sq.m./month
Business Tax	5.00% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	12.00% of rental income
Stamp Duty	0.10% of rental income

4. OPINION OF VALUE

We have summarised the calculation results of each approach in the table below:

Valuation Methods	**Opinion of Values**
Income Capitalisation Approach	RMB601,000,000
Discount Cash Flow Analysis	RMB572,000,000

Based on our valuation method of Income Capitalisation Approach including Discounted Cash Flow Analysis, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation was **RMB586,500,000 (RENMINBI FIVE HUNDRED EIGHTY SIX MILLION FIVE HUNDRED THOUSAND ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title is free from all material encumbrances or defects. The Market Value of the Property is an average of values derived by Income Capitalisation Approach and Discounted Cash Flow Analysis.

For reference purpose, we are of the opinion that the Market Value of Unit 1701 in East Tower of the Property in its existing state as at the Date of Valuation was **RMB15,850,000 (RENMINBI FIFTEEN MILLION EIGHT HUNDRED FIFTY THOUSAND ONLY)** assuming it is available for sale in the market with the benefit of existing tenant and its property title is free from all material encumbrances or defects.

Part C – City Development Plaza

Valuation of various units of the property held by GZI REIT located in City Development Plaza, Nos. 185, 187 and 189 Ti Yu Xi Road, Tian He District, Guangzhou, Guangdong Province, the PRC (the "Property")

1. SUMMARY OF THE PROPERTY

According to the information provided by the Manager, 165 Certificates of Building Ownership have been issued in respect of the Property. The details of the Property are summarised as follows:

1.	Current Registered Owner	:	Full Estates Investment Limited
2.	Type of Land-use Rights	:	Granted
3.	Land-use	:	The land-use of the underlying land of City Development Plaza was described as "Commercial/Residential".
4.	Property Description	:	The Property comprises a portion of a 28-storey Grade A commercial building.
5.	Gross Floor Area	:	Total 42,397.4 sq.m. Office 30,639.8 sq.m. Retail 11,757.6 sq.m.
6.	Land-use Rights Term	:	Level 1 to Level 3 40 years from 27th January, 1997 Level 6 to Level 11 and Level 16 to Level 28 50 years from 27th January, 1997
7.	Use	:	Level 1 to Level 3 Commercial Level 6 to Level 11 and Level 16 to Level 28 Office
8.	Internal Floor Area of the Property	:	30,752.3 sq.m.
9.	Gross Rentable Area of the Property	:	42,397.4 sq.m.
10.	Construction Completion Date	:	1997
11.	Market Value in Existing State as at the Date of Valuation	:	RMB408,000,000
12.	Net Passing Income per month as at the Date of Valuation	:	RMB4,118,521

1. SUMMARY OF THE PROPERTY (continued)

13. Discount Rate (adopted for Discounted Cash Flow Analysis only)	:	11.75%
14. Term Yield	:	Office 10.50% Retail 11.75%
15. Reversionary Yield	:	Office 10.50% Retail 11.50%
16. Occupancy Rate as at the Date of Valuation	:	97.73%
17. Vacancy Allowance (Average in next 10 years)	:	Office 5.90% Retail 4.40%
18. Estimated Current Net Yield	:	12.11%
19. Remarks	:	The property is subject to a mortgage.

2. THE PROPERTY

2.1 Situation, Locality and Land-use

City Development Plaza is situated on the western side of Ti Yu Xi Road in Tian He District, Guangzhou, Guangdong Province, the PRC. The Property is in close proximity to Guangzhou East Train Station and Lin He Xi Zhan Metro Station which is located in about 3 minutes' walk from the Property. Ti Yu Xi Road forms one axis of the square surrounding Tian He Stadium and has become one of the main CBDs in Guangzhou. Tian He District is a rapidly developing area and is the present focus of new Grade-A office developments. Located on the eastern side of Guangzhou, majority of major developments in the area are situated around and overlook Tian He Stadium. This district has emerged as the new CBD of Guangzhou within the last few years and its increasing popularity with business community has led to rapid development of commercial buildings around the stadium area, with new developments initially located near central square but gradually expanding outwards from it.

2.2 Surrounding Development and Environmental Issues

The Property is located in Tian He District. Developments in the area comprise mainly modern high-rise commercial buildings and low-rise retail shopping centres, interspersed with older medium-rise residential buildings. The pedestrian flow along the section of where the Property located is heavy as it is being at the busier side of Tian He Stadium. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding areas. Due to the land registration system in the PRC, we cannot trace any information regarding previous developments erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3 Accessibility and Access to Public Transport

General accessibility of City Development Plaza is considered good as public transportation such as taxis, buses and Nos. 1 and 3 Metro Line are available along Ti Yu Xi Road. Bus stops are located at 2 minutes' walk from City Development Plaza. City Development Plaza is directly accessible from Ti Yu Xi Road which is a major roadway in Guangzhou.

2. THE PROPERTY (continued)

2.4 Property Description

City Development Plaza, a 28-storey Grade-A commercial building with a 2-storey basement carpark, is located at Nos. 185, 187 and 189 Ti Yu Xi Road, Tian He District, in Guangzhou's prime business area. The building comprises a 5-storey commercial podium and office areas from Level 6 to Level 28. According to the information provided by the Manager, the development has a gross floor area of approximately 74,049.2 sq.m. The area breakdown of City Development Plaza is summarized as below:

Level	Use	Gross Floor Area
Basement 1 and 2	Carpark, Machinery Room	12,500.6 sq.m.
Level 1 to Level 3	Commercial	11,757.5 sq.m.
Level 4	Restaurant	4,639.3 sq.m.
Level 5	Club House	1,724.5 sq.m.
Level 6 to Level 28	Office	43,427.3 sq.m.
Total	:	74,049.2 sq.m.

The commercial portion is situated behind the main entrance lobby serving the office levels, and is divided into separate retail units arranged around an atrium. Ground level of the atrium is used for exhibition purpose. The site of the building comprises a regular and level plot with its main frontage on Ti Yu Xi Road on which a 5-Storey commercial portion with an office tower rising from the 6th to 28th storeys has been built. The building was completed in 1997. The building's facilities include an exclusive clubhouse, restaurants, conference centre and car parking spaces. The layout and design of the Property is square in shape.

2.5 Portion of Interests Held by GZI REIT

GZI REIT holds a portion of the development and the details of the interest are listed below:

Level	Use	Gross Floor Area	Remarks
Portion of Level 1	Commercial	1,580.2 sq.m.	Including management office
Portion of Level 1	Commercial	1,707.4 sq.m.	Atrium of Level 1; not retail unit nor for permanent lease
The whole of Level 2	Commercial	3,977.0 sq.m.	
The whole of Level 3	Commercial	4,493.0 sq.m.	
Portion of Level 6	Office	1,487.3 sq.m.	
Portion of Level 7	Office	818.1 sq.m.	
Portion of Level 8	Office	922.2 sq.m.	
Portion of Level 9	Office	795.7 sq.m.	
Portion of Level 10	Office	1,383.3 sq.m.	
The whole of Level 11	Office	1,844.3 sq.m.	
The whole of Level 16	Office	1,844.3 sq.m.	
Portion of Level 17	Office	1,717.9 sq.m.	
The whole of Level 18 and Level 19	Office	3,688.7 sq.m.	1,844.34 sq.m. on each level
Portion of Level 20	Office	1,613.8 sq.m.	
Portion of Level 21	Office	1,613.8 sq.m.	
The whole of Level 22 to 28	Office	12,910.4 sq.m.	1,844.34 sq.m. on each level
Total	:	42,397.4 sq.m.	

2. THE PROPERTY (continued)

2.6 Specification, Services and Finishes of the Development

City Development Plaza is constructed of reinforced concrete and is decorated with marble or granite wall and floor tiles at the main lobby and with gypsum false ceiling. The specification of the building includes central air-conditioning system. Main services comprising electricity, water and telecommunications are provided to the building. The office portion of the building is generally decorated with carpeted floors or homogenous floor tile, wallpaper and false ceilings. The retail podium is served by 2 passenger lifts, 10 escalators and 4 staircases. The office lifts serve all floors. The office portion is served by 6 passenger lifts, 2 service lifts and 2 staircases. The building is maintained in a reasonable condition commensurate with its age. Fire safety measures include installation of automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers throughout the building.

2.7 Current Rental Income

As at the Date of Valuation, about 2.27% of the Property was vacant. According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

Leased Gross Rentable Area	Monthly Rental Income	Annual Net Rental Income
41,434.51 sq.m.	RMB4,118,521	RMB49,422,252

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as finance/insurance, property, information technology, telecommunications, manufacturing/ engineering, shipping and so on.

2.8 Occupancy Rate

According to the information provided by the Manager, majority of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 97.73% of the Property held by GZI REIT.

2.9 Lease Cycle Duration and Expiry Profile

In general, the typical lease terms of the wholesales tenancies are on normal commercial term. The details of the duration lease terms are shown below:

Lease term greater than (year)	Lease term less than or equal to (year)	By Area (%)
0	1	2.84%
1	2	19.62%
2	3	33.76%
3	4	9.46%
4	5	0.31%
5	6	15.12%
6	7	0.00%
7 and thereafter		18.89%
		100.00%

2. THE PROPERTY (continued)

2.9 Lease Cycle Duration and Expiry Profile (continued)

The details of the lease expiry profile are shown below:

% of tenancies due to expire in each year

	By Area (%)
End of 2008	3.59%
2009	27.10%
2010	48.87%
2011	15.88%
2012	3.67%
2013 and thereafter	0.89%
	100.00%

2.10 Summary of Material Rental Review Provisions

We understand that the Property has no material rent review provisions. We are not aware of any sub-leases or tenancies or any material options or rights of pre-emption which may affect the value of the Property.

2.11 Historic Outgoings

As advised by the Manager, the property management income covers all the total property management expenses.

2.12 Property Management

2.12.1 Tenancy Services Agreement

A tenancy services agreement was entered into between the Manager, Full Estates Investment Limited (the "Property Company") and Guangzhou Yicheng Property Management Co., Ltd. (the "Leasing Agent") on 7th December 2005 for an initial term of three years. Under this agreement the Leasing Agent, who is also the property manager of City Development Plaza, is entitled to a remuneration of 4% per annum of the gross revenue ("Service Fees") receivable by the Leasing Agent from the operation of the Property. The Leasing Agent agrees that, for so long as it is the property manager of City Development Plaza, the Service Fees paid to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement.

2.12.2 Property Management Fee

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

3. VALUATION

3.1 Income Capitalisation Approach

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the "term and reversion" method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully leased basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within similar retail/ wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yields adopted to office and retail portions are 10.50% and 11.75% respectively; and reversionary yields adopted to office and retail portions are 10.50% and 11.50% respectively. The term yield adopted to office portion is higher than the market yield because the current passing rental income of the office portion of the Property is higher than the estimated current market rental income.

3.2 Discounted Cash Flow Analysis

In our valuation, we have adopted the discount rate of 11.75% for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centres and office buildings. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon the expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for four or five years. Upon expiry of such tenancies new leases will be granted or renewed on three years terms at the then existing market rentals. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items	Office Portion	Retail Portion
Discount Rate	11.75%	11.75%
Growth Rate – Year 1	1.00%	1.00%
Growth Rate – Year 2	1.50%	1.50%
Growth Rate – Year 3	2.00%	2.00%
Growth Rate – Year 4	2.50%	2.50%
Growth Rate – Year 5	3.00%	3.00%
Growth Rate – Year 6 to Year 10	3.00%	3.00%
Vacancy Allowance (Average in the Next 10 years)	5.90%	4.40%
Bad Debts	1.00%	1.00%

3. VALUATION (continued)

3.2 Discounted Cash Flow Analysis (continued)

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou. In our Discounted Cash Flow Analysis, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items	
Service Fees based on the Tenancy	4.00% of rental income
Cost of Large Scale Repair and Maintenance	Totally RMB3,799,344 in the next 10 years
Sundry Expenses	0.20% of rental income
Insurance	RMB3.5/sq.m./month
Business Tax	5.00% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	12.00% of rental income
Stamp Duty	0.10% of rental income

4. OPINION OF VALUE

We have summarised the calculation results of each approach in the table below:

Valuation Methods	**Opinion of Values**
Income Capitalisation Approach	RMB447,000,000
Discount Cash Flow Analysis	RMB369,000,000

Based on our valuation method of Income Capitalisation Approach including Discounted Cash Flow Analysis, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation was **RMB408,000,000 (RENMINBI FOUR HUNDRED EIGHT MILLION ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title is free from all material encumbrances or defects. The Market Value of the Property is an average of values derived by Income Capitalisation Approach and Discounted Cash Flow Analysis.

Valuation of various units of the property held by GZI REIT located in Victory Plaza, No. 101 Ti Yu Xi Road, Tian He District, Guangzhou, Guangdong Province, the PRC (the "Property")

1. SUMMARY OF THE PROPERTY

According to the information provided by the Manager, 9 Certificates of Building Ownership have been issued in respect of the Property. The details of the Property are summarised as follows:

1.	Current Registered Owner	:	Keen Ocean Limited
2.	Type of Land-use Rights	:	Granted
3.	Land-use	:	The land-use of the underlying land of Victory Plaza was described as "Commercial/Tourism".
4.	Property Description	:	The Property comprises portion of a 6-storey retail shopping centre.
5.	Gross Floor Area	:	27,698.1 sq.m.
6.	Land-use Rights Term	:	40 years from 8th March 2004
7.	Use	:	Basement Level 1 Non-residential/Commercial Unit 101, Unit 102, Level 1 (Refuge Floor), Level 2, Level 3, Level 4, Level 5 and Level 6 Non-residential
8.	Internal Floor Area of the Property	:	22,847.9 sq.m.
9.	Gross Rentable Area of the Property	:	27,262.3 sq.m.
10.	Construction Completion Date	:	2003
11.	Market Value in Existing State as at the Date of Valuation	:	RMB537,500,000
12.	Net Passing Income per month as at the Date of Valuation	:	RMB3,913,327
13.	Discount Rate (adopted for Discounted Cash Flow Analysis only)	:	11.50%
14.	Term Yield	:	9.00%
15.	Reversionary Yield	:	9.00%

1. SUMMARY OF THE PROPERTY (continued)

16.	Occupancy Rate as at the Date of Valuation	:	99.44%
17.	Vacancy Allowance (Average in next 10 years)	:	1.97%
18.	Estimated Current Net Yield	:	8.74%
19.	Remarks	:	The property is subject to a mortgage.

2. THE PROPERTY

2.1 Situation, Locality and Land-use

Victory Plaza, a 6-storey commercial retail centre with a 4-level basement, is located at No. 101 Ti Yu Xi Road, Tian He District, Guangzhou, Guangdong Province, the PRC. Victory Plaza features a 6-storey glass atrium over its entrance and a paved pedestrian mall in front of the building. There are two office towers of 52 and 36 storeys in height respectively constructed on top of the retail centre. Victory Plaza is located at the junction of Tian He Road and Ti Yu Xi Road and the intersection of Nos. 1 and 3 Metro Line. It is in close proximity to Guangzhou Book Centre and Teem Plaza. Ti Yu Xi Road forms one axis of the square surrounding Tian He Stadium and has become one of the main CBDs in Guangzhou.

2.2 Surrounding Development and Environmental Issues

The Property is located in Tian He District. Developments in the area comprise mainly modern high-rise commercial buildings and low-rise retail shopping centres, interspersed with older medium-rise residential buildings. The pedestrian traffic flow along that section of Ti Yu Xi Road is moderate. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding sites. Due to the land registration system in the PRC, we cannot trace any information regarding previous developments erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2.3 Accessibility and Access to Public Transport

General accessibility of Victory Plaza is good as public transportation such as taxis and buses are available along Ti Yu Xi Road. Bus stops are located within a 2 minutes walk from Victory Plaza. Victory Plaza is located within an approximately 3 minutes walk from Ti Yu Xi Road Station on the No. 1 Metro Line. Nos. 1 and 3 Metro Line are planned to provided with a direct underground access to basement level 1 of Victory Plaza, which will enhance the accessibility of Victory Plaza upon its completion. Victory Plaza, situated at the junction of Tian He Road and Ti Yu Xi Road, is directly accessible from Ti Yu Xi Road.

2. THE PROPERTY (continued)

2.4 Property Description

Victory Plaza, a 6-storey commercial and retail centre and a 4-level of basement, is located at No. 101 Ti Yu Xi Road, Tian He District, in Guangzhou's prime business area. According to the information provided by the Manager, the development has a total gross floor area of approximately 52,568.6 sq.m. The area breakdown of Victory Plaza is summarized as below:

Level	Use	Gross Floor Area
Basement 1 to Basement 2	Car park	24,870.5 sq.m.
Basement 1	Commercial	1,809.2 sq.m.
Level 1	Commercial (including Refuge Floor)	3,033.5 sq.m.
Level 2	Commercial	3,968.9 sq.m.
Level 3	Commercial	4,756.7 sq.m.
Level 4	Commercial	4,756.7 sq.m.
Level 5	Commercial	4,769.9 sq.m.
Level 6	Commercial	4,603.2 sq.m.
Total	:	52,568.6 sq.m.

The site area of Victory Plaza is approximately 10,477.0 sq.m. The site of the shopping centre comprises a regular and level plot with its main frontage on Ti Yu Xi Road on which a 6-storey commercial retail centre with a 4-level of basement and was completed in 2003. The main entrance of Victory Plaza is on Ti Yu Xi Road. General accessibility of Victory Plaza is considered good as public transportation such as buses and taxis are available along Ti Yu Xi Road. The layout and design of Victory Plaza is reasonable in comparison with the other shopping centres of similar scale and grade in the locality.

2.5 Portion of Interests Held by GZI REIT

GZI REIT holds a portion of the development and the details of the interests are listed below:

Level	Use	Gross Floor Area	Internal Floor Area
Portion of Basement 1	Commercial	1,809.2 sq.m.	1,503.6 sq.m.
Level 1 (101)	Commercial	473.7 sq.m.	442.3 sq.m.
Level 1 (102)	Commercial	1,553.5 sq.m.	1,451.0 sq.m.
Level 1	Commercial (Refuge Floor)	1,006.3 sq.m.	978.2 sq.m.
Level 2	Commercial	3,968.9 sq.m.	3,058.1 sq.m.
Level 3	Commercial	4,756.7 sq.m.	3,833.0 sq.m.
Level 4	Commercial	4,756.7 sq.m.	3,833.0 sq.m.
Level 5	Commercial	4,769.9 sq.m.	3,875.8 sq.m.
Level 6	Commercial	4,603.2 sq.m.	3,872.9 sq.m.
Total	:	27,698.1 sq.m.	22,847.9 sq.m.

2. THE PROPERTY (continued)

2.6 Specification, Services and Finishes of the Development

Victory Plaza is constructed of reinforced concrete structures. The common parts from Level 1 to Level 4 are finished with granite homogenous floor and wall tiles; and granite floor, tiles and plastic or painted and wallpapered walls on Level 5 to Level 6. Main services comprising electricity, water and telecommunications are provided to the building. The building is subdivided into various units on all levels and is served by 4 passenger lifts, 20 escalators serving from basement to Level 6. The standard of services and finishes within the development is considered to be reasonable, commensurate to other shopping centres in the neighbourhood. The building is maintained in a reasonable condition commensurate with its age. Fire safety measures include installation of automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers throughout the building.

2.7 Current Rental Income

As at the Date of Valuation, about 0.56% of the Property was vacant. According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

Leased Gross Rentable Area	Monthly Rental Income	Annual Net Rental Income
27,108.55 sq.m.	RMB3,913,327	RMB46,959,924

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as food & beverages, electrical appliances, banking and finance, retail and so on.

2.8 Occupancy Rate

According to the information provided by the manager, the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of 99.44% of the Property held by GZI REIT.

2. THE PROPERTY (continued)

2.9 Lease Cycle Duration and Expiry Profile

In general, the typical lease terms of the wholesales tenancies are on normal commercial term. The details of the duration lease terms are shown below:

Lease term greater than (year)	Lease term less than or equal to (year)	By Area (%)
0	1	0.00%
1	2	1.17%
2	3	6.01%
3	4	6.92%
4	5	0.79%
5	6	0.00%
6	7	42.12%
7	8	15.11%
8	9	7.17%
9	10	0.00%
10 and thereafter		20.71%
		100.00%

The details of the lease expiry profile are shown below:

% of tenancies due to expire in each year	By Area (%)
End of 2008	0.00%
2009	1.17%
2010	0.00%
2011	16.87%
2012	6.92%
2013 and thereafter	75.04%
	100.00%

2.10 Summary of Material Rental Review Provisions

As advised by the Manager, there are no sub-leases or tenancies in the Property. We are not aware of any material options or rights of pre-emption which may affect the value of the Property. We have considered the right to renew in our valuation.

2.11 Historic Outgoings

As advised by the Manager, the total property management income covers all the total property management expenses.

2. THE PROPERTY (continued)

2.12 Property Management

2.12.1 Tenancy Services Agreement

A tenancy services agreement was entered into between the Manager, Keen Ocean Limited (the "Property Company") and Guangzhou Yicheng Property Management Co., Ltd. (the "Leasing Agent") on 7th December, 2005, for an initial term of three years. Under this agreement the Leasing Agent, who is also the property manager of Victory Plaza, is entitled to a remuneration of 4% per annum of the gross revenue ("Service Fees") receivable by the Property Company from the operation of the Property. The Leasing Agent, as the property manager of the building, is entitled to retain 10% of any contributions made by the tenants towards the operating expenses of the building. The Leasing Agent agrees that, for so long as it is the property manager of Victory Plaza, the Service Fees paid to the Leasing Agent shall also be in satisfaction of the property management fees which it is entitled to receive from the Property Company for any vacant units of the Property under the property management agreement.

2.12.2 Property Management Fee

As advised by the Manager, the monthly management fees are payable by the tenants to the Leasing Agent.

3. VALUATION

3.1 Income Capitalisation Approach

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the "term and reversion" method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully leased basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within similar retail/ wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yield adopted is 9.00% and reversionary yield is 9.00%. The term yield adopted is the same as the market yield because the current passing rental income of the Property is comparable to the estimated current market rental income.

3. VALUATION (continued)

3.2 Discounted Cash Flow Analysis

In our valuation, we have adopted the discount rate of 11.50% for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centres and office buildings. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon the expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for four or five years. Upon expiry of such tenancies new leases will be granted or renewed on three years terms at the then existing market rentals. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items	
Discount Rate	11.50%
Growth Rate – Year 1	1.00%
Growth Rate – Year 2	2.00%
Growth Rate – Year 3	3.00%
Growth Rate – Year 4	4.00%
Growth Rate – Year 5	4.50%
Growth Rate – Year 6 to Year 10	5.00%
Vacancy Allowance (Average in the Next 10 years)	1.97%
Bad Debts	1.00%

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou.

In our Discounted Cash Flow Analysis, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items	
Service Fees based on the Tenancy	4.00% of rental income
Cost of Large Scale Repair and Maintenance	Totally RMB3,840,900 in the next 10 years
Sundry Expenses	0.20% of rental income
Insurance	RMB3.5/sq.m./month
Business Tax	5.00% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	12.00% of rental income
Stamp Duty	0.10% of rental income

4. OPINION OF VALUE

We have summarised the calculation results of each approach in the table below:

Valuation Methods	Opinion of Values
Income Capitalisation Approach	RMB564,000,000
Discount Cash Flow Analysis	RMB511,000,000

Based on our valuation method of Income Capitalisation Approach including Discounted Cash Flow Analysis, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation was **RMB537,500,000 (RENMINBI FIVE HUNDRED THIRTY SEVEN MILLION FIVE HUNDRED THOUSAND ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title is free from all material encumbrances or defects. The Market Value of the Property is an average of values derived by Income Capitalisation Approach and Discounted Cash Flow Analysis.

Valuation of various units of the property held by GZI REIT located in Yue Xiu Neo Metropolis Plaza located at Nos. 232, 234, 236, 238, 240, 242, 244, 246, 248, 250, 252, 254, 256 and 258, Zhongshanliu Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC (the "Property")

1. SUMMARY OF THE PROPERTY

According to the information provided by the Manager, a Certificate of Building Ownership has been issued in respect of the Property. The details of the Property are summarised as follows:

1.	Current Registered Owner	:	Guangzhou Jieacheng Properties Co., Ltd.
2.	Type of Land-use Rights	:	Granted
3.	Land-use	:	The land-use of the underlying land of Yue Xiu Neo Metropolis Plaza was described as "Commercial and Office".
4.	Property Description	:	The Property comprises a portion of a 23-storey commercial and office building over a 3-storey basement for retail and carparking uses.
5.	Gross Floor Area	:	Total 61,964.34 sq.m. Commercial Portion (Basement 1 to Level 4) 15,445.50 sq.m. Office Portion (Level 5 to Level 23 excluding Level 6) 34,441.75 sq.m. Car Parking Spaces (Basement 2 to Basement 3) 7,549.03 sq.m. Others (including Clubhouse on Level 6 and Common Facilities Area) 4,528.06 sq.m.
6.	Land-use Rights Term	:	Commercial Portion 40 years from 22nd November 2005 Office Portion 50 years from 22nd November 2005 Carpark Portion 50 years from 22nd November 2005
7.	Use	:	Commercial/Office
8.	Internal Floor Area of the Property	:	49,887.25 sq.m.
9.	Gross Rentable Area of the Property	:	58,533.27 sq.m.

1. SUMMARY OF THE PROPERTY (continued)

10.	Construction Completion Date	:	2005
11.	Market Value in Existing State as at the Date of Valuation	:	RMB660,000,000
12.	Net Passing Income per month as at the Date of Valuation	:	RMB4,096,413
13.	Discount Rate (adopted for Discounted Cash Flow Analysis only)	:	11.50%
14.	Term Yield	:	Office 8.00% Retail 8.50%
15.	Reversionary Yield	:	Office 9.00% Retail 9.50%
16.	Occupancy Rate as at the Date of Valuation	:	96.20%
17.	Vacancy Allowance (Average in next 10 years)	:	Office 7.10% Retail 0.40%
18.	Estimated Current Net Yield	:	7.45%
19.	Remarks	:	The property is subject to a mortgage.

2. THE PROPERTY

2.1 Situation, Locality and Land-use

Yue Xiu Neo Metropolis Plaza is located in Zhongshanliu Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC. It is directly linked to Ximenkou Metro Station. Yuexiu District is one of the oldest urban areas in Guangzhou where provincial and municipal governments are located and is a traditional shopping centre of Guangzhou where the commerce is very prosperous. The well-known commercial and shopping areas include Beijing Road Pedestrian Street, Yide Road Dried Seafood Market, Toy Street, White Horse Building , Zhuangyuanfang Stationary Street, Bar Street along Yanjiang Road, Gaodi Street Clothing Business Street, Street Market of Printing Ink and Presswork Products in Tiancheng Road, Decoration Market Street in Taikang Road, Lamp and Flower Market Street, Jiefang Road Electronic products Market Street, Haopan Street — Leather and Shoes Material Business Street, Huifu Road Food Street and so on. All these have attracted the attention of numerous tourists and commercial investors.

2.2 Surrounding Development and Environmental Issues

The Property is located in Yuexiu District. Developments in the area comprise mainly a mixture of old and new mid-rise commercial buildings and residential developments, interspersed with older low to medium-rise residential buildings. The pedestrian traffic flow along that section of Zhongshanliu Road is heavy as it is located near the junction of Renmenzhong Road. We have no knowledge of any environmental concerns or contamination of the subject site and surrounding sites. Due to the land registration system in the PRC, we cannot trace any information regarding to the previous development erected upon the subject site, therefore, we cannot comment on the likelihood of contamination and its effect on value nor ascertain the past use of the site.

2. THE PROPERTY (continued)

2.3 Accessibility and Access to Public Transport

General accessibility of Yue Xiu Neo Metropolis Plaza is considered good as public transportation such as taxis and buses are available along Zhongshanliu Road and Reminzhong Road. Ximenkou Exit of Metro Station is directly connected to basement level 1 of Yue Xiu Neo Metropolis Plaza. Yue Xiu Neo Metropolis Plaza is located in approximately 20 minutes' driving distance from Guangzhou East Train Station. Yue Xiu Neo Metropolis Plaza is directly accessible from Zhongshanliu Road.

2.4 Property Description

Yue Xiu Neo Metropolis Plaza, a Grade-B commercial complex, is located in Zhongshanliu Road, Yuexiu District in Guangzhou's traditional urban shopping area. According to the information provided by the Manager, the total development has a total gross floor area of 85,750.76 sq.m. The site of the building comprises a regular L-shaped and level plot having its main frontage onto Zhongshanliu Road upon which comprises a portion of a 26-storey commercial building (including a 3-level of basement) has been erected and was completed in 2005. The main entrance of Yue Xiu Neo Metropolis Plaza is onto the junction of Zhongshanliu Road and Remin Road North. Car parking facilities are provided within a 2-level basement whilst a podium garden, club, business centre and other ancillary facilities are located on Level 6 and Refuge Level. The layout and design of Yue Xiu Neo Metropolis Plaza is reasonable in comparison with other office buildings in the locality.

2.5 Portion of Interests Held by GZI REIT

GZI REIT holds a portion of the development and the details of the interest are listed below:

Level	**Use**	**Gross Floor Area**
Basement 2 and Basement 3	Carpark *	7,549.03 sq.m.
Basement 2	Common Facilities	487.79 sq.m.
Basement 1	Common Facilities	511.62 sq.m.
Basement 1 to Level 4	Commercial/Retail	15,445.50 sq.m.
Level 5, Level 7 to Level 23	Office	34,441.75 sq.m.
Level 1	Common Facilities	303.99 sq.m.
Level 2	Common Facilities	70.53 sq.m.
Level 3	Common Facilities	127.35 sq.m.
Level 3	Refuge Floor	1,121.80 sq.m.
Level 6	Club House	1,578.49 sq.m.
Level 6	Commercial	158.04 sq.m.
Level 24	Commercial	168.45 sq.m.
Total	:	61,964.34 sq.m.

* *Note 1: The total floor area of the car parking spaces is approximately 7,621 sq.m. including approximately 72 sq.m. to be distributed to the predecessor of the Domestic JV Partner.*

2. THE PROPERTY (continued)

2.6 Specification, Services and Finishes of the Development

Yue Xiu Neo Metropolis Plaza is constructed of reinforced concrete with glazed tiling to the exterior elevations and is decorated with marble or granite wall and tiled floor at the main lobby. Main services comprising electricity, water and telecommunications are connected to the building. The building is subdivided into various units on all levels and is served by 7 passenger lifts serving all levels. The standard of services and finishes within the development is considered to be reasonable commensurate to other office buildings in the neighbourhood. The building is maintained in a reasonable condition commensurate to its age. Fire safety measures include the installation of automatic sprinkler heads, smoke detectors, fire alarm system and fire extinguishers throughout the building.

2.7 Current Rental Income

As at the Date of Valuation, about 3.80% of the Property was vacant. According to the supplied rent roll as at the Date of Valuation, the existing net monthly rental income and equivalent annual net rental income was as follows:

Leased Gross Rentable Area	Monthly Rental Income	Annual Net Rental Income
56,311.53 sq.m.	RMB4,096,413	RMB49,156,951

According to the supplied information, we understand that rental income is exclusive of property management fee and other outgoings such as water, electricity, town gas, telephone, air-conditioning charges and so on. The Property is occupied by various tenants from various industries such as banking, finance, property agency, information technology, food & restaurants and electrical appliances and so on.

2.8 Occupancy Rate

According to the information provided by the Manager, majority of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 96.20% of the Property held by GZI REIT.

2. THE PROPERTY (continued)

2.9 Lease Cycle Duration and Expiry Profile

In general, the typical lease terms of the wholesales tenancies are on normal commercial term. The details of the duration lease terms are shown below:

Lease term greater than (year)	Lease term less than or equal to (year)	By Area (%)
0	1	0.43%
1	2	16.50%
2	3	31.92%
3	4	2.76%
4	5	5.30%
5	6	19.07%
6	7	4.97%
7	8	1.71%
8	9	0.00%
9	10	17.34%
		100.00%

The details of the lease expiry profile are shown below:

% of tenancies due to expire in each year	By Area (%)
End of 2008	0.27%
2009	14.01%
2010	31.28%
2011	6.64%
2012	12.49%
2013 and thereafter	35.31%
	100.00%

2.10 Summary of Material Rental Review Provisions

As advised by the Manager, there are no sub-leases or tenancies in the Property. We are not aware of any material options or rights of pre-emption which may affect the value of the Property. We have considered the right to renew in our valuation.

2.11 Historic Outgoings

As advised by the Manager, the property management income covers all the total property management expenses.

2. THE PROPERTY (continued)

2.12 Property Management

2.12.1 Tenancy Services Agreement

A tenancy services agreement was entered into between the Manager, Guangzhou Jieyacheng Properties Co. Ltd. (the "Property Company") and Guangzhou Yicheng Property Management Limited (the "Leasing Agent") for an initial term of three years. Under this agreement the Leasing Agent is entitled to a remuneration of 4% per annum of the gross revenue ("Service Fees") receivable by the Property Company from the operation of the Property.

2.12.2 Property Management Fee

As advised by the Manager, the monthly management fees are RMB8 per sq.m. and RMB15 per sq.m. for office and retail portions of the Property respectively. The monthly management fees are payable by the tenants to the Leasing Agent.

3. VALUATION

3.1 Income Capitalisation Approach

This approach converts the actual and anticipated net income from the Property into a value through the process of capitalization. The most common method of converting net income into value is by the "term and reversion" method. This approach estimates the value of the Property on a market value basis by capitalising net rental income on a fully leased basis having regard to the current passing rental income and potential future income from existing tenancies. In preparing our valuation, we have had regard to asking or transacted rental income comparables within similar retail/ wholesale developments in the locality. For the purposes of market comparables compositions, we have identified a number of comparables from our own database, which is based on the most recent data available to us. Due to the limited number of actual transactions available, we have analysed lettings from a variety of buildings in the locality. In our assessment, the term yields adopted to office and retail portions are 8.00% and 8.50% respectively; and reversionary yields adopted to office and retail portions are 9.00% and 9.50% respectively. The term yields adopted are lower than the market yields because the current passing rental income of the Property is lower than the estimated current market rental income.

3. VALUATION (continued)

3.2 Discounted Cash Flow Analysis

In our valuation, we have adopted the discount rate of 11.50% for the Property. The discount rate is a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it reflects the opportunity cost of capital. In arriving at the discount rate, we have studied the current market situation for an investment return over a 10-year period from a commercial property. We have also investigated the return required by active property investors in the market as purchasers of shopping centres and office buildings. In arriving at the periodic cash flows prepared by us, we have considered the annual rental income growth rate to assess the projected rental income, which is applied to the cash flow upon the expiry of the leases. We have estimated the rental income growth per annum during next 10 years for the Property. Rental income growth patterns for each tenancy reflect the rent review provisions of each lease, including staged rent increase where applicable. We have assumed that upon expiry of the tenancies, we will follow the terms of the renewed tenancies which are typically for four or five years. Upon expiry of such tenancies new leases will be granted or renewed on three years terms at the then existing market rentals. We have also deducted amounts for business tax, stamp duty, urban real estate tax, flood prevention fee, insurance and service fees. In our assessment, we have valued the Property using the following assumptions:

Items	Office Portion	Retail Portion
Discount Rate	11.50%	11.50%
Growth Rate – Year 1	1.00%	1.00%
Growth Rate – Year 2	2.00%	1.00%
Growth Rate – Year 3	3.00%	2.00%
Growth Rate – Year 4	2.00%	2.00%
Growth Rate – Year 5	2.00%	2.00%
Growth Rate – Year 6 to Year 10	5.00%	5.00%
Vacancy Allowance (Average in the Next 10 years)	7.10%	0.40%
Bad Debts	1.00%	1.00%

Vacancy allowance is based on our local market knowledge on the supply and demand of the relevant property market in Guangzhou. In our Discounted Cash Flow Analysis, based on the information provided by the Manager, we have projected the following outgoings to be expended for the next 10 years on the building at the following amount:

Items	
Service Fees based on the Tenancy	4.00% of rental income
Cost of Large Scale Repair and Maintenance	Totally RMB4,536,300 in the next 10 years
Sundry Expenses	0.20% of rental income
Insurance	RMB3.5/sq.m./month
Business Tax	5.00% of rental income
Flood Prevention Fee	0.09% of rental income
Urban Real Estate Tax	12.00% of rental income
Stamp Duty	0.10% of rental income

4. OPINION OF VALUE

We have summarised the calculation results of each approach in the table below:

Valuation Methods	Opinion of Values
Income Capitalisation Approach	RMB665,000,000
Discount Cash Flow Analysis	RMB655,000,000

Based on our valuation method of Income Capitalisation Approach including Discounted Cash Flow Analysis, we are of the opinion that the Market Value of the Property in its existing state as at the Date of Valuation was **RMB660,000,000 (RENMINBI SIX HUNDRED SIXTY MILLION ONLY)** assuming it is available for sale in the market with the benefit of existing tenants and its property title is free from all material encumbrances or defects. The Market Value of the Property is an average of values derived by Income Capitalisation Approach and Discounted Cash Flow Analysis.

TO THE UNITHOLDERS OF GZI REAL ESTATE INVESTMENT TRUST
(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the law of Hong Kong))

We have audited the consolidated financial statements of GZI Real Estate Investment Trust ("GZI REIT") and its subsidiaries (together, the "Group") set out on pages 113 to 148, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Manager's responsibility for the financial statements

The Manager of GZI REIT is responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant provisions of the trust deed dated 7 December 2005, as amended by a supplemental deed on 25 March 2008 (the "Trust Deed") and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trust established by the Securities and Future Commission of Hong Kong (the "REIT Code"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of GZI REIT, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 March 2009

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	5	**6,452**	8,897
Investment properties	6	**5,718,892**	4,695,536
Deferred assets	8	**40,125**	21,123
Goodwill	9	**181,813**	169,835
		5,947,282	4,895,391
Current assets			
Tax recoverable		**1,535**	—
Prepayments, deposits and other receivables	10	**6,440**	6,277
Cash and cash equivalents	11	**397,416**	290,153
		405,391	296,430
Total assets		**6,352,673**	5,191,821
Current liabilities			
Rental deposits, current portion	14	**40,465**	12,716
Receipts in advance	14	**11,796**	13,809
Accruals and other payables	14	**58,295**	34,791
Derivative financial instruments	15	**—**	221,945
Bank borrowings, secured	16	**—**	1,280,605
Due to related companies	25	**20,672**	15,463
		131,228	1,579,329
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	14	**73,944**	77,948
Bank borrowings, secured	16	**2,048,107**	—
Deferred tax liabilities	13	**77,075**	—
		2,199,126	77,948
Total liabilities, other than net assets attributable to unitholders		**2,330,354**	1,657,277
Net assets attributable to unitholders	17	**4,022,319**	3,534,544
Total liabilities		**6,352,673**	5,191,821
Net assets		**—**	—

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Equity			
Hedging reserve	12	—	(83,841)
Retained earnings		—	83,841
Total equity		—	—
Net current assets/(liabilities)		**274,163**	(1,282,899)
Total assets less current liabilities		**6,221,445**	3,612,492
Units in issue ('000)		**1,065,973**	1,000,000
Net assets attributable to unitholders per unit		**HK$3.77**	HK$3.53

The notes on pages 119 to 148 are an integral part of these financial statements.

On behalf of the Board of Directors of
GZI REIT Asset Management Limited
as the manager of GZI REIT

Liang Ningguang
Director

Liu Yongjie
Director

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue - rental income		**495,686**	402,012
Operating expenses	18	**(153,885)**	(130,753)
Operating profit		**341,801**	271,259
Fair value (loss) / gain on investment properties	6	**(33,896)**	138,416
Interest income from bank deposits		**5,159**	7,466
Finance costs - excluding amounts attributable to unitholders	20	**(68,729)**	(52,858)
Profit before tax and transactions with unitholders		**244,335**	364,283
Income tax expenses	21	**(11,362)**	—
Profit after tax before transactions with unitholders		**232,973**	364,283
Change in net assets attributable to unitholders	17	**316,814**	316,050
Amount arising from cash flow hedging reserve movement	12	**(83,841)**	48,233
		232,973	364,283

Notes:

(i) In accordance with the Trust Deed dated 7 December 2005, as amended by a supplemental deed on 25 March 2008 (the "Trust Deed"), GZI REIT is required to distribute to unitholders not less than 90% distributable income for each financial period. GZI REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash dividends and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of GZI REIT less any liabilities, in accordance with unitholders' proportionate interests in GZI REIT at the date of the termination of GZI REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the income statement. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the balance sheet and how distributions are disclosed in the income statement. Distributable income is determined in the Distribution Statement on page 116.

(ii) Earnings per unit, based upon profit after tax before transactions with unitholders and the average number of units in issue, is presented in Note 22.

The notes on pages 119 to 148 are an integral part of these financial statements.

Distribution Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Profit after tax before transactions with unitholders		**232,973**	364,283
Adjustments for the total distributable income (i)			
– Changes in fair value of investment properties (ii)		**33,896**	(138,416)
– Deferred tax charges in respect of property valuation movements		**2,782**	—
– Amortisation charges on investment properties under China Accounting Standard		**(7,538)**	—
Total distributable income		**262,113**	225,867
Distributable amount at 1 January		**115,193**	103,426
Distribution paid during the year (iii)	17	**(246,641)**	(214,100)
Distributable amount at 31 December		**130,665**	115,193
Final distribution declared		**130,700**	115,100
Distribution per unit, declared		**HK$0.1226**	HK$0.1151

Note:

(i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after tax before transactions with unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the income statement for the relevant year.

(ii) Under the terms of the Trust Deed, the Manager may, at its discretion from time to time, direct the Trustee to make distributions over and above the minimum 90% of the total distribution income if and to the extent the Group, in the opinion of the Manager, has funds surplus to its business requirements. For the year ended 31 December 2008, an additional distribution sourced from non-cash fair value loss of certain investment properties will be applied from the existing cash resources of the Group to give a final distribution of HK$0.1226 per unit for the year.

(iii) A distribution of HK$0.1151 per unit and HK$0.1234 per unit, totaling HK$246,641,000 (2007: HK$214,100,000), was paid to unitholders on 20 May 2008 and 30 October 2008 respectively.

Statement of Changes in Equity

For the year ended 31 December 2008

	Hedging reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 January 2007	(35,608)	35,608	—
Change in fair value of cash flow hedges	(48,233)	—	(48,233)
Result for the year	—	48,233	48,233
Balance at 31 December 2007	(83,841)	83,841	—
Balance at 1 January 2008	(83,841)	83,841	—
Change in fair value of cash flow hedges	83,841	—	83,841
Result for the year	—	(83,841)	(83,841)
Balance at 31 December 2008	—	—	—

The notes on pages 119 to 148 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	24	**347,973**	274,317
Interest paid		**(65,908)**	(42,680)
China enterprise income tax paid		**(6,912)**	—
Net cash generated from operating activities		**275,153**	231,637
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	23	**(450,122)**	—
Purchase of property, plant and equipment		**(12,206)**	(3,851)
Additions of investment properties		**(18,086)**	—
Interest received		**5,159**	7,466
Net cash (used in)/generated from investing activities		**(475,255)**	3,615
Cash flows from financing activities			
Proceeds from bank borrowings, net of transaction costs		**2,528,887**	—
Distribution paid		**(246,641)**	(214,100)
Settlement of bank borrowings		**(1,763,899)**	—
Settlement of derivative financial instrument		**(232,956)**	—
Net cash generated from/(used in) financing activities		**285,391**	(214,100)
Net increase in cash and cash equivalents		**85,289**	21,152
Exchange difference		**21,974**	15,155
Cash and cash equivalents at beginning of the year		**290,153**	253,846
Cash and cash equivalents at end of the year		**397,416**	290,153

The notes on pages 119 to 148 are an integral part of these financial statements.

1 GENERAL INFORMATION

GZI Real Estate Investment Trust ("GZI REIT") and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the leasing of commercial properties in Mainland China ("China").

GZI REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed entered into between GZI REIT Asset Management Limited, as the manager of GZI REIT (the "Manager"), and HSBC Institutional Trust Services (Asia) Limited, as the trustee of GZI REIT (the "Trustee") on 7 December 2005 and authorised under section 104 of the Securities and Futures Ordinance ("SFO") subject to the applicable conditions imposed by Securities and Futures Commission ("SFC") from time to time. The address of its registered office is 24/F, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

GZI REIT was listed on The Stock Exchange of Hong Kong Limited. These financial statements are presented in thousands of units of Hong Kong dollar (HK$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors of the Manager on 12 March 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and investment properties, which are carried at fair value.

The following amendment to standard and interpretations are mandatory for financial year ended 31 December 2008. The adoption of these amendments to standard and interpretations did not have any significant financial impact to the Group.

- HKAS 39 (Amendment), Financial instruments: Recognition and measurement and HKFRS 7 (Amendment), Financial Instruments: Disclosures
- HK(IFRIC)-Int 11, HKFRS 2 - Group and Treasury Share Transactions
- HK(IFRIC)-Int 12, Services Concession Arrangements and
- HK(IFRIC)-Int 14, HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The following new standards, amendments to standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009);
- HKAS 23 (Revised), Borrowing Costs (effective for annual periods beginning on or after 1 January 2009);
- HKFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009);
- HKAS 27 (Revised), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009);
- HKAS 32 (Amendment) and IAS/HKAS 1 (Amendment), Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009);

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

- HKFRS 1 (Amendment), First-time adoption of HKFRS and HKAS 27 (Amendment), Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for annual periods beginning on or after 1 January 2009);
- HKFRS 2 (Amendment), Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009);
- HKFRS 3 (Revised), Business Combination (effective from 1 July 2009);
- HKFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009);
- HK(IFRIC)-Int 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008);
- HK(IFRIC)-Int 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009);
- HK(IFRIC)-Int 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008);
- HK(IFRIC)-Int 17, Distribution of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009);
- HK (IFRIC)-Int 18, Transfers of Assets from Customers (effective for transfers of assets from Customers received on or after 1 July 2009);
- HKAS 1 (Amendment), Presentation of Financial Statement (effective for annual periods beginning on or after 1 January 2009);
- HKAS 2 (Amendment), Inventories (effective for annual periods beginning on or after 1 January 2009);
- HKAS 7 (Amendment), Cash Flow Statements (effective for annual periods beginning on or after 1 January 2009);
- HKAS 8 (Amendment), Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2009);
- HKAS 10 (Amendment), Events After the Balance Sheet Date (effective for annual periods beginning on or after 1 January 2009);
- HKAS 16 (Amendment), Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2009);
- HKAS 18 (Amendment), Revenue (effective for annual periods beginning on or after 1 January 2009);
- HKAS 19 (Amendment), Employee Benefits (effective for annual periods beginning on or after 1 January 2009);
- HKAS 20 (Amendment), Accounting for Government Grants and Disclosure of Government Assistance (effective for annual periods beginning on or after 1 January 2009);
- HKAS 23 (Amendment), Borrowing Costs (effective for annual periods beginning on or after 1 January 2009);
- HKAS 27 (Amendment), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2009);
- HKAS 28 (Amendment), Investments in Associates (effective for annual periods beginning on or after 1 January 2009);
- HKAS 29 (Amendment), Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 January 2009);
- HKAS 31 (Amendment), Interests in Joint Ventures (effective for annual periods beginning on or after 1 January 2009);
- HKAS 34 (Amendment), Interim Financial Reporting (effective for annual periods beginning on or after 1 January 2009);
- HKAS 36 (Amendment), Impairment of Assets (effective for annual periods beginning on or after 1 January 2009);
- HKAS 38 (Amendment), Intangible Assets (effective for annual periods beginning on or after 1 January 2009);
- HKAS 39 (Amendment), Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2009);
- HKAS 40 (Amendment), Investment Property (effective for annual periods beginning on or after 1 January 2009);

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

- HKAS 41 (Amendment), Agriculture (effective for annual periods beginning on or after 1 January 2009);
- HKFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009); and
- HKFRS 7 (Amendment), Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2009)

The Manager does not expect the adoption of the above to have a material impact to the consolidated financial statements of the Group.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of GZI REIT and all of its subsidiaries made up to 31 December.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group mainly engages in leasing of commercial properties in China, accordingly, there is one business and geographical segment for the Group's operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Translation of foreign currencies

Transactions in foreign currencies are translated into Renminbi, the functional currency of the Group, at exchange rates prevailing at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated to Renminbi, at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

Hong Kong dollar is used as the presentational currency of the consolidated financial statements for the convenience of the financial statement readers. For the purpose of translating the consolidated financial statements from Renminbi to Hong Kong dollar, all assets and liabilities of the Group are translated into Hong Kong dollar at the applicable rates of exchange in effect at the balance sheet date, and all income and expense items at the average applicable rates during the period. All resulting exchange differences are dealt with as movements of reserves.

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Machinery and tools	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(f) Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment or investment properties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

(h) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of a particular risk associated with a recognised liability as cash flow hedge.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in Note 15. Movements on the hedging reserve in shareholders' equity are shown in Note 12. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) - net'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) - net'.

(k) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of rental and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the rental receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Rental deposits

Rental deposits are financial liabilities with fixed or determinable repayments. They arise when the Group enters into lease agreement directly with tenants. They are included in current liabilities, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current liabilities.

Rental deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. At initial recognition, the difference between the carrying amount of the financial liability and the actual consideration received are treated as initial premiums and recognised as rental income over the lease term, on a straight-line basis.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(n) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) Revenue recognition

Revenue comprises the fair value for the consideration received or receivable for rental income in the ordinary course of the Group's activities. Revenue is recognised as follows:

(i) Operating lease rental income is recognised on a straight-line basis over the period of the lease. When the Group provides incentives to its tenants, the cost of incentives will be recognised over the lease term, on a straight-line basis, as a reduction of rental income. The difference between the gross receipt of rental and operating lease rental recognised over the lease term is recognised as deferred assets.

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

(r) Distributions to unitholders

In accordance with the Trust Deed, GZI REIT is required to distribute to unitholders not less than 90% of the Group's profit for each financial year subject to adjustments allowed under the REIT Code and the Trust Deed. These units are therefore classified as financial liabilities in accordance with HKAS 32 and, accordingly, the distributions paid to unitholders represent finance costs and are therefore presented as an expense in the income statement. Consequently, GZI REIT has recognised distributions as finance costs in the income statement.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Manager of GZI REIT identifies, evaluates and hedges financial risks. The Manager provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates in China with most of the transactions denominated in Renminbi. The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents, short-term bank deposits and other payables denominated in primarily in Hong Kong dollar.

At 31 December 2008 and 2007, for each percentage increase/decrease in exchange rate of Renminbi against the Hong Kong dollar with all other variables held constant, the profit for the year ended 31 December 2008 would have been approximately HK$1,048,291 (2007: HK$110,245) higher/lower as a result of foreign exchange gains/losses on translation of Hong Kong dollar denominated cash and cash equivalents, short-term bank deposits and other payables.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings that are subject to variable rates expose the Group to cash flow interest rate risk. Under the Group's interest rate management policy, the Group generally raises borrowings at floating rates and may use floating-to-fixed interest rate swaps to manage the risk where the Group forecasts a significant rise in interest charge in the foreseeable future.

At 31 December 2007, the Group swapped its floating rate borrowings into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. Such swap was terminated during 2008.

The Group did not enter any swaps for its floating-rate borrowing as at 31 December 2008. At 31 December 2008, if interest rates on borrowing had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$2,877,000 lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings from drawdown date on 12 November 2008 to 31 December 2008.

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to tenants, including outstanding receivables and committed transactions.

The Group has no significant concentrations of credit risk. The carrying amount of rental receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Manager is of the opinion that credit risk of rental receivables are fully covered by the rental deposits from corresponding tenants.

The table below shows the bank deposits balance of the two major banks at the balance sheet date. Management does not expect any losses from non-performance by these banks.

The Group has no policy to limit the amount of credit exposure to any financial institution.

Counterparty	**2008** **HK$'000**	2007 HK$'000
Shenzhen Development Bank	**239,327**	205,431
Hongkong and Shanghai Banking Corporation Limited	**158,089**	84,722
	397,416	290,153

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying businesses, the Manager maintains flexibility by adjusting the amount of dividend to be paid for the percentage in excess of 90% of the distributable income.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2007					
Rental deposits	12,716	77,948	—	—	90,664
Accruals and other payables	34,791	—	—	—	34,791
Amounts due to related companies	15,463	—	—	—	15,463
Bank borrowings, secured	1,280,605	—	—	—	1,280,605
Derivative financial instruments	221,945	—	—	—	221,945
Interest payables	43,017	—	—	—	43,017
As at 31 December 2008					
Rental deposits	**40,465**	**73,944**	—	—	**114,409**
Accruals and other payables	**58,295**	—	—	—	**58,295**
Amounts due to related companies	**20,672**	—	—	—	**20,672**
Bank borrowings, secured	—	—	**2,048,107**	—	**2,048,107**
Interest payables	**77,711**	**77,711**	**67,066**	—	**222,488**

(b) Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits and other receivables and financial liabilities including receipts in advance, other payables and amounts due to related companies approximate their fair values due to their short maturities.

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders.

Consistent with others in the industry, the Manager monitors capital on the basis of the gearing ratio (This ratio is calculated as net debt divided by total asset value.). Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet and excluding net assets attributable to unitholders).

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio not exceeding 45%. The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008	2007
Total borrowings (Note 16)	**2,048,107**	1,280,605
Total asset value	**6,352,673**	5,196,821
Gearing ratio	**32%**	25%

The increased gearing ratio was mainly due to additional borrowings by the Group to finance its acquisition of an investment property during the year.

4 CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the directors of the Manager determine the amount within a range of reasonable fair value estimates. In making its judgement, the directors of the Manager consider information from a variety of sources including:

(a) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The directors of the Manager use assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the directors of the Manager and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition. These valuations are reviewed annually by external valuers.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Manager relies on valuation report provided by licensed financial institutions to estimate the fair value of its derivative financial instruments. The Manager understands that the licensed financial institutions adopt a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

5 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Machinery and tools HK$'000	Total HK$'000
For the year ended 31 December 2007			
Opening net book amount	—	9,775	9,775
Additions	3,851	—	3,851
Transfer upon completion	(3,851)	1,046	(2,805)
Depreciation	—	(2,583)	(2,583)
Exchange difference	—	659	659
Closing net book amount	—	8,897	8,897
At 31 December 2007			
Cost	—	13,003	13,003
Accumulated depreciation	—	(4,106)	(4,106)
Net book amount	—	8,897	8,897
For the year ended 31 December 2008			
Opening net book amount	—	8,897	8,897
Additions	12,032	174	12,206
Transfer upon completion	(12,032)	—	(12,032)
Depreciation	—	(2,741)	(2,741)
Exchange difference	—	122	122
Closing net book amount	—	6,452	6,452
At 31 December 2008			
Cost	—	13,978	13,978
Accumulated depreciation	—	(7,526)	(7,526)
Net book amount	—	6,452	6,452

6 INVESTMENT PROPERTIES

	2008	2007
	HK$'000	HK$'000
Beginning of the year	**4,695,536**	4,240,071
Acquisition of subsidiary (Note 23)	**730,255**	—
Transfer from property, plant and equipment	**12,032**	2,805
Additions	**18,086**	—
Fair value (loss)/gain	**(33,896)**	138,416
Exchange difference	**296,879**	314,244
End of the year	**5,718,892**	4,695,536

The investment properties were located in China held on land use rights of 40 years to 50 years, expiring in 2045 through 2055.

The investment properties were revalued at 31 December 2008 by Vigers Appraisal and Consulting Limited, independent professional qualified valuers. Valuations were performed using discounted cash flow projections based on estimates of future cash flows, derived from the terms of any existing lease and other contracts, and from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

In the consolidated income statement, direct operating expenses include HK$353,054 (2007: HK$719,180) relating to investment properties that were vacant.

As at 31 December 2008, certain investment properties were pledged as collateral for the Group's bank borrowings (Note 16).

7 SUBSIDIARIES

Name	Place of establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital	Interest held (Note)
GZI REIT (Holding) 2005 Company Limited ("HoldCo")	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1 each	100%
Partat Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of US$1 each	100%
Moon King Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of US$1 each	100%
Full Estates Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of US$1 each	100%
Keen Ocean Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of US$1 each	100%
Metrogold Development Limited	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	1 ordinary share of US$1 each	100%
Guangzhou Jieyacheng Properties Company Limited	China, limited liability company	Leasing of commercial properties in China	Registered capital of HK$92 million	100%

Note:

Shares of HoldCo and Metrogold Development Limited are held directly by GZI REIT. Shares of all the other subsidiaries are held indirectly by GZI REIT.

8 DEFERRED ASSETS

Rental income is recognised on an accruals basis by averaging out the impact of rent-free periods, contracted rental escalations and such other terms affecting the cash received from rental income under each tenancy agreement. Thus, rental income is recognised on a straight-line basis for the entire lease term of each tenancy agreement, which effectively amortises the impact of rent-free periods, contracted rental escalations and other relevant terms on the rental income over the relevant lease periods. The temporary difference between the rental income as set out in the lease agreements and accounting rental income is reflected as deferred assets.

9 GOODWILL

	HK$'000
At 1 January 2007	
Opening net book amount	**158,290**
Exchange difference	**11,545**
Closing net book amount	**169,835**
At 31 December 2007	
Cost	**169,835**
Accumulated impairmen	**—**
	169,835
At 1 January 2008	
Opening net book amount	**169,835**
Acquisition of subsidiary (Note 23)	**1,482**
Exchange difference	**10,496**
Closing net book amount	**181,813**
At 31 December 2008	
Cost	**181,813**
Accumulated impairment	**—**
	181,813

Impairment test for goodwill

For the purpose of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use pretax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget.

Key assumptions used for in the cash flow projections are as follows:

	2008	2007
Growth rate	**2%**	5%
Discount rate	**6.4%**	6.26%

These assumptions have been used for the analysis of the cash-generating unit ("CGU"). Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGU. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

All prepayments, deposits and other receivables are denominated in Renminbi.

11 CASH AND CASH EQUIVALENTS

As at 31 December 2008, included in the cash and cash equivalents of the Group are bank deposits of approximately HK$208,490,000 (2007: HK$205,381,000) denominated in Renminbi, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of the China is subject to exchange control restrictions imposed by the Chinese government.

	2008	2007
	HK$'000	HK$'000
Cash at bank	**287,251**	205,659
Short-term bank deposits	**110,165**	84,494
	397,416	290,153

The effective interest rate on short-term bank deposits was 1.75% (2007: 3.06%); these deposits have an average maturity of 7 days (2007: 7 days).

Cash and cash equivalents are denominated in the following currencies:

	2008	2007
	HK$'000	HK$'000
Hong Kong dollar	**133,824**	41,488
Renminbi	**208,490**	205,381
United States dollar	**55,102**	43,284
	397,416	290,153

The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates as disclosed in Note 3(a). The existing counterparties do not have defaults in the past.

12 HEDGING RESERVE

	HK$'000	HK$'000
At 1 January 2007		35,608
Cash flow hedges:		
- Fair value losses (Note 15)	**133,986**	
- Recognise as finance costs (Note 20)	**(85,753)**	48,233
At 31 December 2007		83,841
At 1 January 2008		83,841
Cash flow hedges:		
- Fair value gains (Note 15)	**(3,228)**	
- Recognise as finance costs (Note 20)	**(80,613)**	(83,841)
At 31 December 2008		—

13 DEFERRED TAX LIABILITIES

	2008	2007
	HK$'000	HK$'000
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	**77,075**	—

The movements in deferred tax liabilities during the year are as follows:

	Fair value gains	**Others**	**Withholding tax in respect of unremitted earnings of a subsidiary**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	—	—	—	—
Acquisition of subsidiary (Note 23)	64,873	4,714	—	69,587
Charged to income statement (Note 21)	2,782	2,537	1,394	6,713
Exchange differences	627	135	13	775
At 31 December 2008	68,282	7,386	1,407	77,075

There is no material unprovided deferred taxation as at 31 December 2008.

14 RENTAL DEPOSITS, RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2008 HK$'000	2007 HK$'000
Rental deposits		
Current portion	**40,465**	12,716
Non-current portion	**73,944**	77,948
	114,409	90,664
Receipts in advance	**11,796**	13,809
Provision for withholding tax payable	**8,637**	6,440
Provision for business tax and flood prevention fee	**5,254**	4,022
Construction fee payable	**8,657**	—
Accruals for operating expenses	**35,747**	24,329
Accruals and other payables	**58,295**	34,791
	184,500	139,264

The carrying amounts of rental deposits, receipts in advance and other payables approximate their fair values.

Majority of the rental deposits, receipts in advance, accruals and other payables are denominated in Renminbi.

15 DERIVATIVE FINANCIAL INSTRUMENTS

	2008 HK$'000	2007 HK$'000
Interest rate and currency swaps - cash flow hedges		
Beginning of the year	**221,945**	77,578
Fair value (gains)/losses (Note 12)	**(3,228)**	133,986
Exchange difference	**14,239**	10,381
Settlement during the year	**(232,956)**	—
End of the year	**—**	221,945

The swap instruments were settled on 12 November 2008. The accumulated gains and losses existing in the hedging reserve in equity (Note 12) on interest rate and currency swap contracts prior to the date of settlement were recognised in the income statement.

16 BANK BORROWINGS, SECURED

	2008 HK$'000	2007 HK$'000
Current	—	1,280,605
Non-current	**2,048,107**	—

On 6 November 2008, the subsidiaries of GZI REIT and the lending banks (the "Lending Banks") entered into a facility agreement with the Lending Banks in connection with a three-year floating rate secured term loan facility of HK$2,100 million for refinancing the existing secured bank borrowings of GZI REIT and simultaneous termination of the existing hedging arrangements of GZI REIT.

Bank borrowings are guaranteed on a joint and several basis by Trustee and HoldCo and also secured by the following:

— investment properties of Partat Investment Limited, Moon King Limited, Full Estates Investment Limited, Keen Ocean Limited amounting to HK$ 4,952,943,000

— assignment of rental income and all other proceeds arising from the above investment properties and of all tenancy agreements relating to the above investment properties

— equity interests of Partat Investment Limited, Moon King Limited, Full Estates Investment Limited, Keen Ocean Limited and Metrogold Development Limited, subsidiaries of the Group

The maturity of borrowings at the balance sheet date is as follows:

	2008 HK$'000	2007 HK$'000
Within 1 year	—	1,280,605
Between 2 and 5 years	**2,048,107**	—

The effective interest rate of the bank borrowings at the balance sheet date was 3.79% (2007: 6.26%) per annum.

The carrying amounts of the borrowings approximate their fair values.

The Group has no undrawn borrowing facilities as at 31 December 2008 (2007: Nil).

17 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2008	2007
	HK$'000	HK$'000
Beginning of the year	**3,534,544**	3,199,707
Issuance of units (Note 23)	**191,320**	—
Transfer from income statement	**316,814**	316,050
Distribution paid during the year	**(246,641)**	(214,100)
Exchange difference	**226,282**	232,887
End of the year	**4,022,319**	3,534,544

18 EXPENSES BY NATURE

	2008	2007
	HK$'000	HK$'000
Property management fee (i)	**16,944**	13,407
Urban real estate tax	**11,567**	10,616
Business tax and flood prevention fee	**25,345**	20,462
Withholding tax (ii)	**47,045**	38,470
Depreciation of property, plant and equipment	**2,741**	2,583
Asset management fee	**32,158**	26,163
Trustee's remuneration	**1,907**	1,558
Valuation fee	**200**	200
Legal and professional fee	**1,333**	2,071
Auditor's remuneration	**1,821**	1,500
Bank charges	**4,565**	21
Others	**8,259**	13,702
Total operating expenses	**153,885**	130,753

Note:

(i) The Group received leasing, marketing and tenancy management services from two leasing agents in Guangzhou, namely, Guangzhou Yicheng Property Management Ltd. and White Horse Property Management Co. Ltd (Note 25).

(ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income and interest income at a rate of 10 per cent.

19 EMPLOYEE BENEFIT EXPENSE

GZI REIT did not appoint any directors and the Group did not engage any employees during the year. As such, it has not incurred any employee benefit expense.

20 FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest expense for bank borrowings	**73,919**	51,184
Net foreign exchange transaction gains	**(85,803)**	(84,079)
Transfer from hedging reserve (Note 12)		
– interest rate and currency swaps: cash flow hedge	**80,613**	85,753
	68,729	52,858

21 INCOME TAX EXPENSES

Since the newly acquired subsidiary carries out its operation through a sino-foreign co-operative joint venture in China, it is subject to corporate income tax at a rate of 25% under new CIT Law of China.

For other subsidiaries with operations in China, the corporate income tax was paid by way of withholding tax as disclosed in Note 18(ii).

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong.

	2008 HK$'000
Current income tax	
– Hong Kong profits tax	**—**
– China enterprise income tax	**4,649**
Deferred income tax (Note 13)	**6,713**
	11,362

The tax on the Group's profit before tax and transactions with unitholders differs from the theoretical amount that would arise using the corporate income tax rate of China as follows:

	2008 HK$'000
Profit before tax and transactions with unitholders	**244,335**
Tax calculated at domestic tax rate of 25%	**61,084**
Income not subject to profit tax	**(54,208)**
Expenses not deductible for tax purposes	**3,092**
Withholding tax on unremitted earnings of a subsidiary	**1,394**
	11,362

The weighted average applicable tax rate was 25% (2007: Nil).

22 EARNINGS PER UNIT BASED UPON PROFIT AFTER TAX BEFORE TRANSACTIONS WITH UNITHOLDERS

Earnings per unit based upon profit after tax before transactions with unitholders for the year ended 31 December 2008 is HK$0.22 (2007: HK$0.36). The calculation of earnings per unit is based on profit after tax before transactions with unitholders of approximately HK$232,973,000 (2007: HK$364,283,000) and on average units in issue of 1,038,318,383 units (2007: 1,000,000,000 units) during the year.

Diluted earnings per unit is not presented as there is no dilutive instrument for the years ended 31 December 2008 and 2007.

23 BUSINESS COMBINATIONS

On 1 June 2008, the Group acquired 100% of the issued share capital and shareholder's loans of Metrogold Development Limited, a company that is principally engaged in leasing of commercial properties in China.

The acquired business contributed revenue of approximately HK$33,091,000, fair value gain on investment properties of HK$11,128,000 and profit after tax before transactions with unitholders of HK$16,142,000 to the Group for the period from acquisition to 31 December 2008. If the acquisition had occurred on 1 January 2008, consolidated revenue and consolidated profit after tax before transactions with unitholders for the year ended 31 December 2008 would have been HK$514,984,000 and HK$258,398,000 respectively.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase considerations:	
– Cash paid/payable	
– as purchase consideration	**472,201**
– as direct costs attributable to the acquisition	**7,360**
– Fair value of 65,972,687 new units issued as purchase consideration	**191,320**
Total purchase consideration	**670,881**
– Fair value of net identifiable assets acquired (see below)	**(195,943)**
– Carrying amounts of shareholder's loans	**(473,456)**
Goodwill (Note 9)	**1,482**

23 BUSINESS COMBINATIONS (continued)

The assets and liabilities arising from the acquisition are as follows:

Fair value and acquiree's carrying amount

	HK$'000
Investment properties	730,255
Deferred assets	9,504
Prepayments, deposits and other receivables	451
Cash and cash equivalents	29,439
Rental deposits	(10,108)
Receipts in advance	(1,642)
Construction fee payables, accruals and other payables	(18,185)
Shareholder's loans	(473,456)
Current income tax liabilities	(728)
Deferred tax liabilities	(69,587)
Net identifiable assets acquired	195,943
Outflow of cash to acquire business, net of cash and cash equivalents acquired:	
– cash consideration	472,201
– direct costs attributable to the acquisition	7,360
Cash and cash equivalents in subsidiary acquired	(29,439)
Cash outflow on acquisition	450,122

24 NOTE TO THE CASH FLOW STATEMENT

	2008	2007
	HK$'000	HK$'000
Profit before taxation and transactions with unitholders	**244,335**	364,283
Adjustments for:		
– Depreciation expenses	**2,741**	2,583
– Amortisation of bank loan	**12,521**	8,504
– Fair value loss/(gain) on investment properties	**33,896**	(138,416)
– Interest income	**(5,159)**	(7,466)
– Interest expenses	**56,208**	44,354
Changes in working capital:		
– Deferred assets	**(8,193)**	(10,813)
– Rental receivables	**—**	20
– Prepayments, deposits and other receivables	**676**	(23)
– Rental deposits	**8,034**	10,321
– Receipts in advance	**(4,508)**	160
– Accruals and other payables	**3,169**	9,106
– Amounts with related companies	**4,253**	(8,296)
Cash generated from operations	**347,973**	274,317

25 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 December 2008, the Group was significantly influenced by Guangzhou Investment Company Limited (incorporated in Hong Kong), which owns approximately 36% of GZI REIT's units. The remaining 64% of the units are widely held.

The table set forth below summarised the names of significant parties and nature of relationship with GZI REIT as at 31 December 2008:

Connected party	Relationship with GZI REIT
Guangzhou Investment Company Limited ("GZI")*	A major unitholder of GZI REIT
GZI REIT Asset Management Limited (the "Manager")*	A subsidiary of GZI
Guangzhou Yicheng Property Management Ltd. ("Yicheng")*	A subsidiary of GZI
Guangzhou White Horse Property Management Co. Ltd. ("White Horse PM") *	A subsidiary of GZI
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("GCCD Xingye Property Agent") *	A subsidiary of GZI
Guangzhou City Construction and Development Hongcheng Car Park Properties Management Co. Ltd. ("Hongcheng")*	A subsidiary of GZI
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")*	A major shareholder of GZI
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The trustee of GZI REIT
Colliers International (Hong Kong) Limited (the "Former valuer")	The principal valuer of GZI REIT, expired in December 2008
Vigers Appraisal & Consulting (the "Current valuer")	The principal valuer of GZI REIT, appointed in January 2009
The Hongkong and Shanghai Bankng Corporation Limited and its subsidiaries (the "HSBC Group")	Related parties of the Trustee

* These connected parties are also considered as related parties of the Group, transactions and balances carried out with these related parties are disclosed in notes (a) and (b) below.

25 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The following transactions and balances were carried out with connected parties and related parties:

(a) Transactions with related parties

	2008 HK$'000	2007 HK$'000
Asset management fee paid/payable to the Manager (ii)	**(32,158)**	(26,163)
Management fee paid/payable to Yicheng	**(8,035)**	(5,387)
Management fee paid/payable to White Horse PM	**(8,909)**	(8,020)
Rental income received/receivable from GCCD Xingye Property Agent	**1,048**	1,808
Rental income received/receivable from GZI	**1,359**	1,181
Rental income received/receivable from Yue Xiu	**59**	51
Rental income received/receivable from Yicheng	**7**	6
Rental income received/receivable from Hongcheng	**656**	—
Trustee fee paid/payable to the Trustee	**(1,907)**	(1,558)
Valuation fee paid/payable to the Former valuer	**—**	(200)
Valuation fee paid/payable to the Current valuer	**(200)**	—
Transactions with the HSBC Group		
– Interest expense paid/payable to the HSBC Group (iii)	**(30,740)**	(17,187)
– Annual arrangement fees on borrowings paid to the HSBC Group	**(887)**	(359)
– Rental income received/receivable from the HSBC Group	**11,891**	10,596
– Interest income from the HSBC Group	**2,150**	4,791
– Professional fee paid/payable to the HSBC Group	**(1,386)**	—

Note:

(i) All transactions with connected parties/related parties were carried out in accordance with the terms of the relevant agreement governing the transactions.

(ii) The asset management fee is calculated as the aggregate of a base fee of 0.3% per annum of the value of the Deposited Property, as defined in the Trust Deed and a service fee of 3% per annum of Net Property Income, as defined in the Trust Deed.

(iii) The Group also entered into an interest rate and US$/RMB currency non-deliverable swap facility with the HSBC Group on 21 December 2005 which was settled on 12 November 2008. Details of the swap arrangement are disclosed in Note 15.

25 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related parties

	2008 HK$'000	2007 HK$'000
Balance with Yicheng		
Amount due to Yicheng	**(852)**	(496)
Balance with White Horse PM		
Amount due to White Horse PM	**(745)**	(687)
Balance with the Manager		
Amount due to the Manager	**(19,075)**	(14,280)

All balances with related parties are unsecured, interest-free and repayable on demand.

(c) Key management compensation

There was no key management compensation for the year ended 31 December 2008 (2007: Nil).

26 CAPITAL COMMITMENTS

	2008 HK$'000	2007 HK$'000
Capital commitments in respect of property, plant and equipment, contracted but not provided for	**—**	476
Capital commitments in respect of investment properties, contracted but not provided for	**2,101**	2,056
	2,101	2,532

27 FUTURE MINIMUM RENTAL RECEIVABLE

At 31 December 2008, the Group had future minimum rental receivable under non-cancellable leases as follows:

	2008 HK$'000	2007 HK$'000
Not later than one year	**502,864**	394,428
Later than one year and not later than five years	**588,559**	667,070
Later than five years	**62,984**	50,052
	1,154,407	1,111,550

Performance table

As at 31 December 2008

	2008	2007	2006
Net assets attributable to unitholders (HK$'000)	**4,022,319**	3,534,544	3,199,707
Net asset attributable to unitholders per unit (HK$)	**3.77**	3.53	3.2
The highest premium of the traded price to net asset value (i) (HK$)	**N/A**	N/A	0.500
The highest discount of the traded price to net asset value (i) (HK$)	**2.54**	0.695	0.350
Net yield per unit (ii)	**12.21%**	11.83%	7.96%
Number of units in issue (units)	**1,065,972,687**	1,000,000,000	1,000,000,000

Note:

(i) The highest premium is calculated based on the highest traded price of HK$3.11 (2007: HK$3.31) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2008. The highest discount is calculated based on the lowest traded price of HK$1.23 (2007: HK$2.84) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2008.

(ii) Net yield per unit is calculated based on profit after tax before transactions with unitholders per unit for the year ended 31 December 2008 over the traded price of HK$1.79 (2007: HK$3.08) as at 31 December 2008.

BOARD OF DIRECTORS OF THE MANAGER

Executive directors

Mr Liang Ningguang *(Chairman)*
Mr Liu Yongjie

Non-executive director

Mr Liang Youpan

Independent non-executive directors & audit committee members

Mr Chan Chi On, Derek
Mr Lee Kwan Hung, Eddie
Mr Chan Chi Fai, Brian

Responsible Officers of the Manager

Mr Liang Ningguang
Mr Liu Yongjie
Mr Lau Jin Tin Don

COMPANY SECRETARY OF THE MANAGER

Mr Yu Tat Fung

CHIEF FINANCIAL OFFICER OF THE MANAGER

Mr Kwan Chi Fai

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

AUDITOR OF GZI REIT

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL VALUER

Vigers Appraisal and Consulting Ltd.

HONG KONG LEGAL ADVISOR

Baker & McKenzie

PRINCIPAL BANKERS OF GZI REIT

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank, Limited
The Bank of East Asia, Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
DBS Bank Ltd, Hong Kong Branch
Dah Sing Bank, Limited

WEBSITES TO ACCESS INFORMATION IN RELATION TO GZI REIT

http://www.gzireit.com.hk
http://www.hkex.com.hk

REGISTERED OFFICE OF THE MANAGER

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Yue Xiu Building
160 Lockhart Road
Wanchai, Hong Kong

UNIT REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

UNIT LISTING

GZI REIT's Units are listed on:
The Stock Exchange of Hong Kong Limited

The stock code is: 405

INVESTOR RELATIONS

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MANAGER

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