越秀房地產投資信託基金
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 Laws of Hong Kong))

(Stock Code: 405)

Managed by
GZI REIT ASSET MANAGEMENT LIMITED

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

GZI Real Estate Investment Trust ("GZI REIT") is a Hong Kong real estate investment trust constituted by a trust deed entered into on 7 December 2005 as amended by a first supplemental deed dated 25 March 2008 (collectively, "Trust Deed"), and made between HSBC Institutional Trust Services (Asia) Limited as the trustee ("Trustee") and GZI REIT Asset Management Limited as the manager ("Manager"). GZI REIT was listed on The Stock Exchange of Hong Kong Limited 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 invested in real property in the Mainland of People's Republic of China ("PRC").

The Manager is pleased to announce the audited consolidated results of GZI REIT and its subsidiaries for the year ended 31 December 2008 ("Reporting Year") together with comparative figures for the corresponding period in 2007 as follows:

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2008

DISTRIBUTION AND ASSETS ATTRIBUTABLE TO UNITHOLDERS

Unit	Financial Year ended 31 December 2008	Financial Year ended 31 December 2007	Percentage increase/ (decrease) compared to 31 December 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.

2008 BUSINESS REVIEW AND FUTURE PROSPECTS

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, portions of White Horse Building ("White Horse Building"), City Development Plaza ("City Development Plaza"), Fortune Plaza ("Fortune Plaza"), Victory Plaza ("Victory Plaza") and Yue Xiu Neo Metropolis Plaza ("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 211,031.0 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 operating 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 operating 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 operating 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 operating 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 operating income in respect of all the Properties between the Reporting Year and the same period of the previous year:

Name of property	Operating income for 2008 *(HK$ million)*	Operating income for 2007 *(HK$ million)*	Increase/ (decrease) compared to 2007 operating income for 2008 *(HK$ million)*	Year-on-year increased/ (decreased) percentage of operating 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 operating 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 proceeds were used to refinance the then existing bank borrowings and unwind related interest rate and currency hedging arrangements. 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 and White Horse Property Manager, to upgrade the hardware of the buildings.

FINANCIAL REVIEW

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 Reporting Year based on GZI REIT's consolidated profit after tax before transactions with the Unitholders for the Reporting Year and has made an adjustment to eliminate the effects of changes in fair values of investment properties, deferred tax change and an 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.

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$4,707.7 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 *HK$'000*	**2007** *HK$'000*	**% of Increase/ (Decrease)**
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)	15.85%
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)/gains on investment properties	266,869	225,867	18.15%
Fair value (loss)/gains 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%
Proposed distributions to Unitholders	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$12.4 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 Room 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 *RMB million*	**Valuation as at 31 December, 2007** *RMB million*	**Percentage increase/ decrease(-)**
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$2,100 million. 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 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 sq.m, 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.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	**2008** *HK$'000*	**2007** *HK$'000*
Non-current assets			
Property, plant and equipment		6,452	8,897
Investment properties		5,718,892	4,695,536
Deferred assets		40,125	21,123
Goodwill		181,813	169,835
		5,947,282	4,895,391
Current assets			
Tax recoverable		1,535	—
Prepayments, deposits and other receivables	4	6,440	6,277
Cash and cash equivalents		397,416	290,153
		405,391	296,430
Total assets		6,352,673	5,191,821
Current liabilities			
Rental deposits, current portion	5	40,465	12,716
Receipts in advance	5	11,796	13,809
Accruals and other payables	5	58,295	34,791
Derivative financial instruments	6	—	221,945
Bank borrowings, secured		—	1,280,605
Due to related companies		20,672	15,463
		131,228	1,579,329

	Note	2008 *HK$'000*	2007 *HK$'000*
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	5	73,944	77,948
Bank borrowings, secured		2,048,107	—
Deferred tax liabilities		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	7	4,022,319	3,534,544
Total liabilities		6,352,673	5,191,821
Net assets		—	—
Equity			
Hedging reserve		—	(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

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	8	(153,885)	(130,753)
Operating profit		341,801	271,259
Fair value (loss) / gain on investment properties		(33,896)	138,416
Interest income from bank deposits		5,159	7,466
Finance costs - excluding amounts attributable to unitholders	9	(68,729)	(52,858)
Profit before tax and transactions with unitholders		244,335	364,283
Income tax expenses	10	(11,362)	—
Profit after tax before transactions with unitholders		232,973	364,283
Change in net assets attributable to unitholders		316,814	316,050
Amount arising from cash flow hedging reserve movement		(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.

(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 11.

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)	(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 **Application of new and revised Hong Kong Financial Reporting Standards ("HKFRS")**

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);
- 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 for annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010;

- 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);

- 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);

- 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.

2 **Basic of preparation of financial statements**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Future Commission of Hong Kong.

3 **Segment Reporting**

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

4 **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.

5 **Rental deposits, receipts in advance, accruals and other payables**

	2008	**2007**
	HK$'000	*HK$'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.

6 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	(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 on interest rate and currency swap contracts prior to the date of settlement were recognised in the income statement.

7 Net assets attributable to unitholders

	2008 *HK$'000*	2007 *HK$'000*
Beginning of the year	3,534,544	3,199,707
Issuance of units	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

8 Expenses by nature

	2008 *HK$'000*	2007 *HK$'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.

(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.

9 Finance costs

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

10 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.

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	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 rates 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).

11 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.

12 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	1,482

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

13 **Capital commitments**

	2008	2007
	HK$'000	*HK$'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

14 **Future minimum rental receivable**

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

	2008	2007
	HK$'000	*HK$'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	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.

By order of the board of directors of
GZI REIT Asset Management Limited
(as manager of GZI Real Estate Investment Trust)
Liang Ningguang
Chairman

Hong Kong, 12 March 2009

As at the date of this announcement, the board of directors of the Manager is comprised as follows:

Executive Directors:	*Messrs. Liang Ningguang and Liu Yongjie*
Non-executive Director:	*Mr. Liang Youpan*
Independent Non-executive Directors:	*Messrs. Chan Chi On, Derek, Lee Kwan Hung, Eddie and Chan Chi Fai, Brian.*