



越秀房地產投資信託基金

GZI REAL ESTATE INVESTMENT TRUST

(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)



2010 Annual Report

MANAGER



越秀房託資產管理有限公司
GZI REIT ASSET MANAGEMENT LIMITED



迎客之塔

維多利亞廣場

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Profile of GZI REIT and Unitholders Calendar

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 Second Supplemental Deed Dated 23 July 2010 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”).

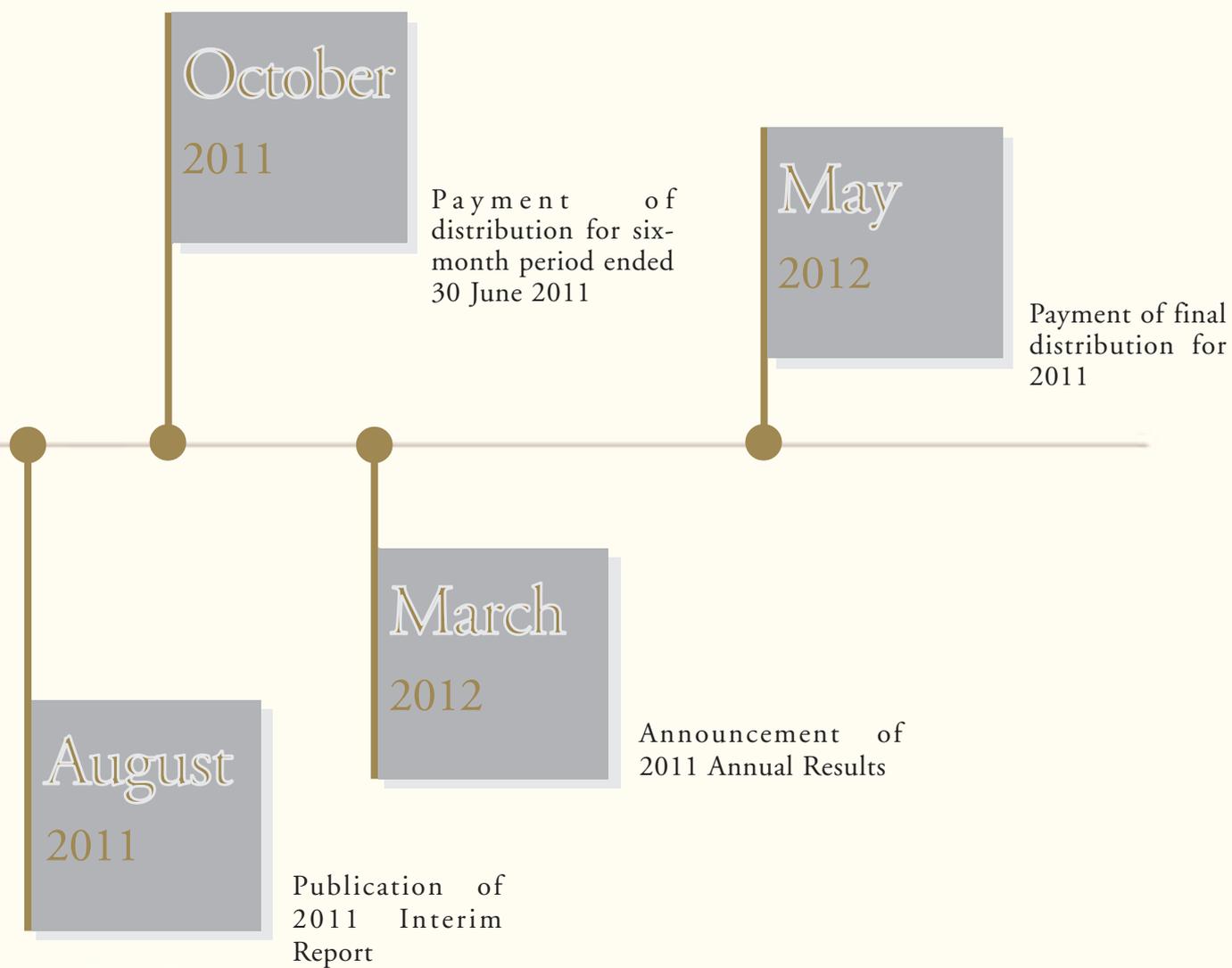
May
2011

Payment of final
distribution for 2010
and 2010 Annual
General Meeting

April
2011

Publication of
2010 Annual
Report

Profile of GZI REIT and Unitholders Calendar



Distribution

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 has resolved to distribute to the Unitholders an amount equal to 100% of GZI REIT's Total Distributable Income for the financial year ended 31 December 2010 ("Reporting Year").

The final distribution to the Unitholders for the period from 1 July 2010 to 31 December 2010 ("2010 Final Period") will be approximately RMB0.0983 which is equivalent to HK\$0.1165 (2009: approximately RMB0.1182 which is equivalent to HK\$0.1343) per Unit. The 2010 final distribution will be paid on 19 May 2011, to the Unitholders whose names appear on the register of Unitholders on 29 April, 2011.

The final distribution amount together with the interim distribution of GZI REIT for the six-month period from 1 January 2010 to 30 June 2010 ("2010 Interim Period") of approximately RMB0.1087 which is equivalent to HK\$0.1246 (2009: approximately RMB0.1036 which is equivalent to HK\$0.1175) per Unit represented distribution of approximately RMB0.207 which is equivalent to HK\$0.2411 (2009: approximately RMB0.2218 which is equivalent to HK\$0.2518) per Unit for the Reporting Year.

GZI REIT aims at providing steady returns to its Unitholders derived from the rental income of its scheme properties. It has been distributing no less than 100% of the annual Total Distributable Income for 5 consecutive years after listing in 2005. The following table summarizes the distribution per Unit for the 5 years from 2006 to 2010

HK\$	2010	2009	2008	2007	2006
Total Distributable Income ('000)	257,023	249,248	262,113	225,867	206,683
Distributable income per Unit	0.2411	0.2338	0.246	0.2258	0.2067
Additional distribution per Unit	—	0.0180	—	—	—
Total distribution per Unit	<u>0.2411</u>	<u>0.2518</u>	<u>0.246</u>	<u>0.2258</u>	<u>0.2067</u>

The Manager confirms that the distribution referred above is only composed of profit after tax before transactions with the Unitholders and does not include any profit elements in the nature of capital of GZI REIT.

The Manager has calculated the Total Distributable Income based on GZI REIT's consolidated profit after tax before transactions with the Unitholders adjusted to eliminate the effects of certain non-cash items which have been recorded in the statement of comprehensive income for the relevant year or period.

Distribution payable to the Unitholders will be paid in Hong Kong dollar. The exchange rate adopted by the Manager is the average closing exchange rate, as announced by the People's Bank of China, for the five business days preceding the date of declaration of distribution.

DISTRIBUTION YIELD

Distribution per Unit ("DPU") for the Reporting Year is approximately HK\$0.2411 (2009: HK\$0.2518) which represents a yield of approximately 5.56% (2009: 8.56%) per Unit based on the closing price of HK\$4.34 per unit as at 31 December 2010 (2009: HK\$2.94). The decrease in distribution yield per Unit is mainly due to the substantially higher closing price of the Units as at the end of 2010.

Performance Summary

FINANCIAL HIGHLIGHTS

The following is a summary of GZI REIT's audited consolidated results for the year ended 31 December 2010 together with comparative figures for the corresponding period in 2009:

(in Renminbi ("RMB"), unless otherwise specified)

	Financial Year ended 31 December 2010	Financial Year ended 31 December 2009	Percentage increase/ (decrease)
Gross income	484,655,000	468,978,000	3.34%
Net property income	379,190,000	375,294,000	1.04%
Profit after tax	635,635,000	265,119,000	139.75%
Earnings per unit of GZI REIT ("Unit")	0.596	0.249	139.75%
Portfolio valuation	5,432,500,000	5,082,000,000	6.90%
Net assets attributable to Unitholders per Unit	3.73	3.36	11.01%
Net assets attributable to Unitholders per Unit - Equivalent to HK\$	4.38	3.82	14.66%
Units issued	1,065,972,687 units	1,065,972,687 units	0.00%
Total borrowings as a percentage of gross assets (Note a)	29%	32%	(3) percentage points
Gross liabilities as a percentage of gross assets (Note b)	34%	37%	(3) percentage points
Distribution			
Total distributable income	220,227,000	220,027,000	0.09%
Total distributable income (HK\$)	257,023,000	249,248,000	3.12%
Distributable income per Unit (HK\$)	0.2411	0.2338	3.12%
Additional distribution per Unit (HK\$)	—	0.0180	N/A
Total distribution per Unit (HK\$)	0.2411	0.2518	(4.25)%

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

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

Chairman's Statement



Chairman's Statement

Dear Unitholders,

On behalf of the board of directors of GZI REIT Asset Management Limited ("Manager"), Manager of GZI REIT, I am pleased to present to you the annual report of GZI REIT for 2010 Reporting Year.

RESULTS AND DISTRIBUTIONS

In 2010, with the extraordinary efforts of the entire management team and the quality properties in the portfolio, GZI REIT continued to attain good operation results, all key operation indicators were performing well. As at 31 December 2010, the occupancy rate of the GZI REIT properties remained high with the overall occupancy rate at 99.20%. During the year, the total turnover revenue of GZI REIT was approximately RMB484,655,000, representing an increase of 3.34% as compared to RMB468,978,000 for the same period last year. The rent collection ratio remained at 100% with no bad debt. All properties were stable in operation with a steadily rising trend in rental income.

During the Reporting Year, GZI REIT realized a total distributable income of approximately HK\$257,023,000, representing an increase of approximately HK\$7,775,000 or approximately 3.12% as compared to the total of HK\$249,248,000 for the same period last year. The policy of the Manager is to distribute 100% of the entire distributable income of the Reporting Year to all Unitholders, each Unitholder will receive a distribution amount of approximately HK\$0.2411 per Unit, representing a decrease of approximately HK\$0.0107 or 4.25% as compared to the distribution amount of approximately HK\$0.2518 per Unit for the same period last year. Based on the closing price of HK\$4.34 per unit as at 31 December 2010, the distribution rate will be approximately 5.56%.

MARKET REVIEW

In 2010, the overall global economy maintained recovery momentum coupled with many uncertainties. The overall national economy of China was operating in a sound and upward trend. According to the data released by the National Bureau of Statistics, the gross domestic product (GDP) of China for 2010 amounted to RMB39,798.3 billion, representing a growth of 10.3% year-on-year. In 2010, the total GDP of Guangzhou was approximately RMB1,060.448 billion, exceeded the RMB1,000 billion mark for the first time. Accordingly, Guangzhou became the third city admitted into the GDP "RMB1,000 Billion Club" following Shanghai and Beijing. It is also the first provincial capital with its total economic output exceeding RMB1,000 billion, representing a growth of 13% year-on-year.

Under the impact of the Asian Games, the new supply of office space in Guangzhou was only over 300,000 square metres in 2010, which was below expectation, while the vacancy rate also fell by 3% as compared to the previous year. The leasing market in Guangzhou was very active in turnover.

BUSINESS OPERATING STRATEGIES

The Manager grasped the continuing stable growth opportunity in the domestic economy, the market conditions and the accurate positioning of projects, through good preparations and the active implementation of flexible and forward-looking asset strategies, the market competitiveness of the properties under GZI REIT was effectively enhanced, laying a solid foundation for achieving a sustainable growth in the future returns from the Properties.

The primary management concept adopted by the Manager is growing together with the stakeholders of GZI REIT. Through continuous renovations and improvements of the existing facilities and services of the Properties, GZI REIT aims at improving the businesses of the tenants.

The White Horse Building Units are the core of the GZI REIT portfolio. After consulting the opinions of the major tenants, the Manager implemented the asset value enhancement project by optimizing market positioning and improving floor layout on Level 3, the tenant structure was optimized with higher quality tenant mix. The project was completed in May with Level 3 commenced operation in its new look, new tenants were satisfied with the refurbishment.

Chairman's Statement

During the Reporting Year, the Manager focused its efforts on implementing the White Horse marketing promotion project and successfully organized various marketing events such as “White Horse Apparel Market 2010 Nationwide Circuit Show” and “2010 White Horse Clothing Procurement Festival”, effectively strengthening the leading position of White Horse in the nationwide specialized fashion market and expanding its scope of influence. Besides, the Manager paid high attention to maintain a successful tenant relationship, executed effective leasing strategies, accomplished the renewal of a large number of expiring contracts and achieved an increment in rental income.

Both Fortune Plaza and City Development Plaza are Grade A office projects. Under the intense competition from a large number of new offices in the market, the Manager gained an in-depth understanding on customers needs and successfully completed lease renewals and lease expansion with various well-known tenants. In addition, the Manager also successfully brought in several World Top 500 enterprises and reputable domestic enterprises. Accordingly, the tenant mix was significantly optimized, laying a good foundation for future stable operations.

The Yue Xiu Neo Metropolis offers multiple functional commercial offices. The Manager continued to actively manage expiring leases with a steadily rising occupancy rate of the properties. Besides, a breakthrough was made in the optimization of the property tenant mix. By taking advantage of the expiring leases, the Manager successfully assisted quality customers in lease expansion and brought in several renowned World Top 500 enterprises resulting in continuously satisfactory property rental income and long-term returns.

The Victory Plaza is the only retail commercial project in the current asset portfolio. The Manager actively adjusted and optimized the operating conditions, and transformed the positioning of GOME Victory “Xin Huo Guan” by assisting major tenant, GOME in lease expansion, leading to a multi-win-win situation for GZI REIT, the tenants and the Manager. As a result, the business atmosphere of Victory Plaza is flourishing.

INVESTMENT AND FINANCIAL STRATEGIES

During the second half of 2010, the Chinese government proclaimed a series of real estate adjustment and control measures, and the domestic real estate market began to cool down. The Manager adopted proactive action and placed its investment focus on the first-tier cities in China, with a view to capture the opportunity of acquiring commercial properties with stable returns and potential value appreciation, targeting to expand the portfolio and distribution of properties under GZI REIT and spread out the investment risk of GZI REIT, as well as strengthening the foundation for stable rental income.

Meanwhile, the Manager commenced due diligence investigation on a commercial property (owned by independent and non-connected persons) in Shanghai and had conducted negotiations on the acquisition terms and conditions. However, as a result of market changes, the vendor and the Manager had not reached a consensus on the transaction conditions, the acquisition fell through eventually. The Manager will continue with his active and prudent investment principles. With sufficient assessment on the market conditions and the capital market situation, serving long-term interest of the Unitholders, the Manager will strive to secure suitable acquisition projects to generate long-term and stable investment returns for the Unitholders.

The GZI REIT implemented stable and risk-aversing financial strategies. As at 31 December 2010, the gearing ratio (total borrowings to total assets) was maintained at 29%, which was still far from the upper limit of 45% as required under the REIT code. A lower gearing ratio provides an advantage in the acquisition of the third party properties. Further expansion of the properties portfolio provides long term benefits to the Unitholders.

ASSET ENHANCEMENT STRATEGIES

The Manager implemented various capital enhancement strategies for Properties owned by GZI REIT. While formulating and implementing various asset enhancement plans, the Manager continuously facilitated the enhancement of property rental and

Chairman's Statement

property value by adopting strategies such as continually optimizing the tenant mix, maintaining good customer relationship and allocating more resources in tenant solicitation.

Capital enhancement projects planned in 2010 have been completed as scheduled with good effects. In 2011, the Manager will continue to carry out more renovation and enhancement projects as appropriate in order to boost the market competitiveness of the Properties.

PROSPECTS

In future, the recovery of the world economy is still full of uncertainties. With a weak recovery foundation, an unbalanced progress and uncertain trend, the global GDP is experiencing a slowdown in its growth. It is anticipated in 2011, the Chinese economy will still adapt to new changes and new features of domestic and overseas situations. China will implement positive fiscal policies and prudent monetary policies, consolidate and expand efforts in response to the impact of the international financial crisis and continue to maintain a steady and fast-growing economy.

Due to the hosting of the Asian Games, part of the new offices in Guangzhou will be completed and put into operation in 2011. New supply of other commercial properties will also reach its peak and market conditions are challenging.

However, we are optimistically cautious in our belief that benefiting from the sustained growth of the Chinese economy and relying on our outstanding property portfolio and professional management team, GZI REIT will actively grasp investment opportunities through implementing the proactive and progressive leasing strategies complemented with effective Properties appreciation measures to continue generating stable returns for the Unitholders.

APPRECIATION

On behalf of the Board of Directors, I would take this opportunity to thank our management team and all Board members for their contribution and dedication. I would also like to express my gratitude to all Unitholders, tenants and business partners for their strong support and cooperation.

Liang Ningguang

Chairman

Hong Kong, 10 March 2011

2010 Business Review and Future Prospects

BUSINESS REVIEW

Continued growth in operating results

In 2010, with operations benefiting from the favorable business environment as a result of the gradual recovery of the People's Republic of China ("PRC") economy and by adopting proactive asset management strategies, continuously optimizing the industry condition, the tenant mix and fully exploiting the commercial value of its property portfolio, GZI REIT's property revenue and rental value grew in tandem, with its operating results attaining a record high.

PROPERTY PORTFOLIO AND VALUATION

As at 31 December 2010, GZI REIT's property portfolio ("Properties") consists of five properties- White Horse Building Units ("White Horse Building"), Fortune Plaza Units ("Fortune Plaza"), City Development Plaza Units ("City Development Plaza"), Victory Plaza Units ("Victory Plaza") and Yue Xiu Neo Metropolis Units ("Neo Metropolis"). The aggregate area of ownership was approximately 223,614.3 sq.m.; total rentable area amounted to approximately 211,031.1 sq.m. (mainly excluding 7,549.0 sq.m. of parking space, 4,528.1 sq.m. of clubhouse and common facilities area of Neo Metropolis).

According to the valuation by an independent professional valuer, Vigers Appraisal and Consulting Limited ("Vigers"), the valuation of the Properties of GZI REIT as at 31 December 2010 increased 6.9% year on year to approximately RMB5.4325 billion, which was RMB0.3505 billion over the valuation on 31 December 2009. The net assets attributable to unitholders per Unit was approximately RMB3.73, representing an increase of 11.01% over the net assets attributable to Unitholders per Unit on 31 December 2009.

The following table summarizes the respective valuation of each of the Properties as at 31 December 2010 and 31 December 2009:

Property Name	Valuation as at		Increase %
	31 December 2010 <i>RMB million</i>	31 December 2009 <i>RMB million</i>	
White Horse Building	3,076.5	2,878.5	6.9%
Fortune Plaza	632.0	590.5	7.0%
City Development Plaza	450.5	419.0	7.5%
Victory Plaza	618.0	543.0	13.8%
Neo Metropolis	655.5	651.0	0.7%
Total	<u>5,432.5</u>	<u>5,082.0</u>	6.9%

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

2010 Business Review and Future Prospects

Particulars of the Properties:

Property	Type	Location	Year of Completion	Area of Ownership (Sq.m.)	Total Rental Area (Sq.m.)	Property		Appraised Value ⁽²⁾ (RMB million)
						Occupancy Rate ⁽²⁾	# of Lease Contract ⁽²⁾	
White Horse Building	Wholesale shopping center	Yuexiu District	1990	50,199.3	50,128.9	100.0%	1,105	3,076.5
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	99.2%	73	632.0
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	99.2%	59	450.5
Victory Plaza	Retail shopping center	Tianhe District	2003	27,698.1	27,262.3	100.0%	20	618.0
Neo Metropolis	Commercial complex	Yuexiu District	2007	61,964.3	49,887.3 ⁽¹⁾	98.0% ⁽¹⁾	110	655.5
Total				223,614.3	211,031.1	99.2%	1,367	5,432.5

Note:

(1) excluding 7,549.0 sq.m. of parking space and 4,528.1 sq.m. of clubhouse and common facilities area;

(2) As at 31 December 2010.

OCCUPANCY RATE STAYED AT HIGH LEVELS

As at 31 December 2010, the overall occupancy rate of the Properties was approximately 99.2%, the same as that for the same period last year. The overall vacancy rate of the three office properties, namely Fortune Plaza, City Development Plaza and Neo Metropolis, was only 1.3%, much lower than the average office vacancy rate of 13% located in the same district of Guangzhou City.

The following table sets out a comparison of occupancy rates in respect of all the Properties between this reporting period and the same period of previous year:

Property	Occupancy Rate		Percentage Increase/Decrease (-) Compared to 31 December 2009
	as at 31 December 2010	as at 31 December 2009	
White Horse Building	100.0%	100.0%	0.0%
Fortune Plaza	99.2%	98.9%	0.3%
City Development Plaza	99.2%	99.2%	0.0%
Victory Plaza	100.0%	98.5%	1.5%
Neo Metropolis	98.0%	99.0%	-1.0%
Total	99.2%	99.2%	0.0%

2010 Business Review and Future Prospects

REVENUE CONTINUED TO INCREASE

In 2010, the Properties recorded revenue of approximately RMB484,655,000, representing a 3.3% increase compared to that of the previous year. White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Neo Metropolis accounted for approximately 56.99%, 11.74%, 10.18%, 10.35% and 10.74% respectively of the total revenue of the Properties.

No bad debt was recorded during the Reporting Year, for the fifth consecutive year after listing in 2005.

The following table sets out a comparison of revenue in respect of each of the Properties between the reporting period and the same period of previous year:

Property	Revenue in 2010 <i>RMB million</i>	Revenue in 2009 <i>RMB million</i>	Increase/ (Decrease) Compared to 2009 <i>RMB million</i>	Increase/ (Decrease) of Revenue from Property %
White Horse Building	276.2	268.1	8.1	3.0%
Fortune Plaza	56.9	54.5	2.4	4.4%
City Development Plaza	49.3	50.0	(0.7)	(1.4)%
Victory Plaza	50.2	45.7	4.5	9.8%
Neo Metropolis	52.1	50.7	1.4	2.8%
Total	484.7	469.0	15.7	3.3%

White Horse Building - innovative marketing enhances industry influence

White Horse Building strived to implement a “going out, bringing in” promotion program. It held the “White Horse Apparel Market 2010 Nationwide Circuit Show”, which was the first of its kind in the domestic market with more than thirty leading apparel brand retailers participating in numerous brand-to-brand activity sessions in apparel distribution centers in cities like Beijing, Zhengzhou and Xinjiang, arousing a great deal of interest within the industry.



White Horse Fashion Boutiques Show



Panel discussion on
branded fashion



White Horse Seminar

2010 Business Review and Future Prospects

In the second half of the year, White Horse apparel center also organized the “2010 White Horse Clothing Procurement Fair”, attracting nearly one thousand distributors to participate in the event. In addition, another 21 clothing boutique shows, 16 special brand conferences and over 100 live brand-to-brand activity sessions were also held. As a result, White Horse apparel center became a prominent apparel trading platform and its leading position in the industry was further strengthened with an expanded scope of influence. In respect of business operations, White Horse Building completed the renovation on the third floor, and repositioned its leasing targets to premium grade suppliers, resulting in a better tenants’ mix and better brand image for the whole property. Through a series of marketing activities and an in-depth and effective tenant relationship management, tenants’ business confidence was enhanced, prompting White Horse Building to complete ahead of time the renewal of more than 900 expiring contracts in September, with an average increase of approximately 10% in renewal rents, and laying a solid foundation for the continued growth in property revenue over the next few years. Furthermore, White Horse fashion center was accredited as “The Incubation Base of Chinese Apparel Brands” issued by CHIC in Beijing in 2010 while the top ten fashion brands in the White Horse Apparel center were awarded the title of “The Growth Brand of Chinese Apparel” (中國服裝成長性品牌) .

Fortune Plaza and City Development Plaza - Leveraging on property advantages to bring in quality customers

Due to the suspension of construction works during the 2010 Asian Games, supply of new commercial properties in Guangzhou was lower than the level expected, which alleviated the pressure on the excess supply of commercial properties over demand in the office leasing market. Fortune Plaza and City Development Plaza, which are located in one of the traditional central business districts in Guangzhou, adopted a series of management measures by making full use of their advantages and features to improve service quality. The tenants’ mix continued to improve. In particular, Fortune Plaza successfully brought in several of the World’s reputable enterprises, including “Guoyuan Securities” and “Toyota Motor”, and assisted “CTrip” (攜程網), a well-known domestic enterprise, in taking up the whole floor. City Development Plaza continued to enhance customer relationship management, concluded leases on vacant units in a timely manner, actively managed expiring leases, and successfully completed the renewal of the leases with famous enterprises including “Shenzhen Development Bank”, thereby further stabilizing the overall operation.

Victory Plaza - optimization for a win-win situation

Victory Plaza successfully assisted two of its major tenants, “GOME Home Appliance” and “Starbucks” to reallocate disjoined shop spaces into an organic whole, with GOME, leasing additional space to set up its “New Life Gallery”. Victory Plaza achieved an ideal rental revenue growth and meanwhile the tenants’ operating income was on the rise, creating a win-win situation for property owner and the tenants. In respect of promotion, Victory Plaza organized a “Festival of Joy” in the second half of the year. The event brought about remarkable interaction among tenants in Victory Plaza, boosting the business atmosphere and thereby promoting sales.



2010 Business Review and Future Prospects

Neo Metropolis - Improved the tenant mix and stabilized business operations

Neo Metropolis achieved an optimization of the tenants' mix. Besides successfully bringing in several reputable industry enterprises, including "China Mobile" and "Star Cruises", Neo Metropolis also assisted "TNT", a well-known international logistics company, in leasing an additional floor. Meanwhile, Neo Metropolis proactively managed the expiring leases and tenant solicitation. The rental level of the project increased steadily.

Proactive Implementation of asset enhancement program

In 2010, taking into account the market research findings and the actual situation of REIT Properties, the Manager developed a systematic asset enhancement program. In response to the increasing competitive pressure, the Manager focused on renovation project of White Horse Building. The complete face lift of the third floor boosted the rent for the new leases by not less than 10%. After the retrofitting of No.3 and No.4 lifts in White Horse, which enhanced the traffic flow between the 7th floor and the 8th floor, the business environment in White Horse Building was much improved. The air-conditioning renovation project in City Development Plaza was also completed as scheduled. Besides, the installation of new fire prevention and power supply and distribution systems in City Development Plaza are currently in steady progress.

In 2011, the Manager plans to develop and implement various asset enhancement projects, including the renovation and replacement of certain facilities and equipment in White Horse Building, City Development Plaza and Neo Metropolis. The said projects aim at accomplishing a better business operation environment, boosting the Properties' market competitiveness.

Seizing the opportunity and taking initiative

In 2010, the Manager continued to proactively look for new investment properties for acquisition. During the year, preliminary investigations of more than 10 projects, mainly located in first-tier cities such as Beijing, Shanghai and Guangzhou, had been conducted. In the second half of 2010, full due diligence was conducted on a commercial property located in one of the central business districts in Shanghai. Negotiation of the sale and purchase agreement in respect of the property proceeded to a very advance stage over a couple of months. However, the acquisition fell through as no agreement could be reached at the end due to changes in market conditions.

Looking ahead, the Manager will continue its efforts in finding suitable acquisition opportunities in first tiers cities in the PRC. Apart from the short term returns, the Manager will also consider the mid to long term prospect of the target properties, aiming at attaining a sustainable development of GZI REIT in the long-term interests of Unitholders.

Financial Review

FINANCIAL RESULTS

Both rental income and net property income of GZI REIT were higher than 2009. The following is a summary of GZI REIT's financial results for the Reporting Year:

	2010	2009	% of Increase/ (Decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	
Gross income	<u>484,655</u>	<u>468,978</u>	3.34%
Leasing agents' fee	(16,669)	(15,959)	4.45%
Property related taxes (Note 1)	(83,608)	(73,267)	14.11%
Other property expenses (Note 2)	<u>(5,188)</u>	<u>(4,458)</u>	16.38%
Total property operating expenses	<u>(105,465)</u>	<u>(93,684)</u>	12.58%
Net property income	<u>379,190</u>	<u>375,294</u>	1.04%
Withholding tax	(43,554)	(41,895)	3.96%
Manager's fees	(29,449)	(28,375)	3.79%
Trustee's fees	(1,807)	(1,696)	6.54%
Other trust expenses (Note 3)	<u>(11,240)</u>	<u>(1,598)</u>	603.38%
Total non-property expenses	<u>(86,050)</u>	<u>(73,564)</u>	16.97%
Net profit before finance costs, interest income and tax	293,140	301,730	(2.85)%
Interest income	2,373	1,949	21.75%
Finance income/(cost), net	<u>9,048</u>	<u>(58,415)</u>	(115.49)%
Net profit before tax	304,561	245,264	24.18%
Income tax expenses	<u>(14,049)</u>	<u>(11,929)</u>	17.77%
Net profit after tax before fair value gain on investment properties	290,512	233,335	24.50%
Fair value gain on investment properties	<u>345,123</u>	<u>31,784</u>	985.84%
Net profit after tax before transactions with Unitholders	<u><u>635,635</u></u>	<u><u>265,119</u></u>	139.75%

Note 1 Property related tax includes urban real estate tax, land use right tax, business tax, flood prevention, city development tax, additional education fee and stamp duties.

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 fees, listing fees, exchange difference and miscellaneous expenses.

Financial Review

Gross income and net property income during the Reporting Year were approximately RMB484.655 million (2009: RMB468.978 million) and RMB379.190 million (2009: RMB375.294 million) respectively, which represents an increase of 3.34% and 1.04% respectively while comparing with 2009.

Gross income included rental income of approximately RMB479.188 million (2009: RMB458.874 million) and other income of approximately RMB5.467 million (2009: RMB10.104 million) which included advertising income, forfeited rental deposit and late settlement. The change of gross income is mainly due to an increase of the rental income for the renewal and the newly signed tenancy agreements. The average rental income per square meter per month of five premises as at 31 December 2010 was approximately RMB194.41 (2009 Dec: RMB187.23).

Net property income amounted to approximately RMB379.190 million (2009: RMB375.294 million), representing approximately 78% of total gross income, after deduction of property related taxes, leasing agent fees and other property operating expenses.

Property related tax increased by approximately 14.11% as compared with 2009. It is mainly because of an increase in urban real estate tax due to the urban real estate tax free period of Yue Xiu Neo Metropolis has expired at the beginning of 2010. With effect from 1 December 2010, the following kinds of tax are newly adopted: i) City Development Tax is calculated based on 7% on business tax and ii) Additional Education Fee is calculated based on 3% on business tax.

Overall, the fee of Manager is increased by approximately 3.79% as a result of the increase in total assets and net property income. The fee of the Trustee is increased by approximately 6.54% as a result of the increase in total assets.

Other trust expenses increased by approximately 603.38%. It is mainly because of one-off charges, the legal and professional charge for conducting due diligence work in the potential acquisition project in Shanghai, incurred during the year.

Due to the depreciation of Hong Kong dollar against Renminbi for the Reporting Year, a favourable exchange gain of RMB60,596,000 was deducted from the financial cost in translating the HK\$2.1 billion term loan, excluding this favourable adjustment, the financial cost for the said HK\$2.1 billion term loan would be RMB51,548,000.

Profit after tax before transactions with Unitholders amounted to approximately RMB635,635,000 (2009: RMB265,119,000), which represented 139.75% increase, mainly due to the fair value gain on properties valuation for the Reporting Year being approximately RMB345,123,000, far higher than the amount of approximately RMB31,784,000 recorded for the same period of last year.

Net Asset Value

The net assets attributable to the Unitholders per unit as at 31 December 2010 was approximately RMB3.73 (2009: RMB3.36), which represented an increase of approximately 11.01%.

New Units Issued and Unit Activity

There were no new units issued by GZI REIT during the 2010 Reporting Year. As at 31 December 2010, a total of 1,065,972,687 units were issued by GZI REIT.

The Unit price of GZI REIT reached a high of HK\$4.35 and a low of HK\$2.94 during the Reporting Year. The average volume of trade amounted to approximately 1,579,122 Units per day during the Reporting Year.

The closing price of the Units as at 31 December 2010 was HK\$4.34, representing a premium of approximately 41.14% as compared to the Offer Price of HK\$3.075. This represents a discount of approximately 0.91% as compared to the net assets attributable to Unitholders per Unit as at 31 December 2010.

CAPITAL STRUCTURE

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 loan was drawn down on 12 November 2008.

The bank borrowings will be due on 12 November 2011, the Manager will negotiate with banks for a new facility arrangement in due course. Under the present situation, the Manager believes that there should be no impediment for successful financing.

As at 31 December 2010, total borrowings of GZI REIT amounted to approximately RMB1.775 billion (calculation of total borrowings based on bank loan, excluding capitalization of debt-related expenses), representing approximately 29% of total assets of GZI REIT.

As at 31 December 2010, total liabilities of GZI REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB2.043 billion, representing approximately 34% 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 2010 amounted to approximately RMB378.955 million. GZI REIT has sufficient financial resources to satisfy its financial commitments and working capital requirements.

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

ACCOUNTING TREATMENTS:

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 statement of comprehensive income. Consequently, GZI REIT has, for accounting purposes, recognised distributions as finance costs in its audited consolidated statement of comprehensive income.

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

Financial Review

Change of Presentation Currency

During the year ended 31 December 2010, GZI REIT has changed its presentation currency for the preparation of its financial statements from Hong Kong dollar to Renminbi. The Board considers the change will result in a more appropriate presentation of GZI REIT's operations and transactions in its financial statements as most of its transactions are conducted and denominated in RMB. The comparative figures in these financial statements have been arrived at using the closing exchange rate for balance sheet items as at 1 January 2009 and 31 December 2009 and average exchange rate for the year under audit for the statement of comprehensive income items.

The change in presentation currency has no significant impact on the financial position of GZI REIT as at 1 January 2009, 31 December 2009 and 2010, or the results and cash flows of GZI REIT for the year ended 31 December 2009 and 2010.

RENOVATION PROJECTS FOR WHITE HORSE BUILDING UNITS

In accordance with the Reorganisation Deed dated 7 December 2005 signed among the Manager, the Trustee and Yue Xiu Property Company Ltd ("YXP"), formerly known as Guangzhou Investment Company Ltd, YXP provided an amount of HK\$26.7 million for the then proposed renovation works for the White Horse Building.

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

From 2006 to 2010, GZI REIT has incurred capital expenditure of approximately HK\$24.253 million for the abovementioned funds. The capital expenditure incurred in 2010 was approximately HK\$0.409 million.

Such capital expenditure included approximately HK\$9.8 million of fixed assets related capital expenditure, and approximately HK\$14.453 million of investment properties related capital expenditure.

The Manager will allocate the balance of the abovementioned fund to the retention money of the renovation work.

SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

GZI REIT did not enter into any real estate sale and purchase during the 2010 Reporting Year.

REAL ESTATE AGENTS ENGAGED BY GZI REIT

During the Reporting Year, GZI REIT has engaged Guangzhou Yicheng Property Management Limited ("Yicheng"), and White Horse Property Management Company (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 RMB8.384 million and RMB8.285 million respectively.

REPURCHASE, SALE OR REDEMPTION OF UNITS

GZI REIT may, subject to the fulfillment of certain requirements, purchase its own Units on the Stock Exchange.

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

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 internal audit and controls 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 in 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 29 April 2011. The register of Unitholders will be closed from 3 May 2011 to 6 May 2011, both days inclusive, during which period no transfer of units will be effected. In order to be qualified for the distribution, all Unit certificates with completed transfer forms must be lodged with GZI REIT’s unit registrar, Tricor Investor Services Limited, on 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 29 April 2011. The payment date of final distribution will be on 19 May 2011.

ISSUANCE OF ANNUAL REPORT

The annual report of GZI REIT for the Reporting Year will be dispatched to the Unitholders on or about 28 April 2011.

ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of GZI REIT for the Reporting Year be held on 24 May 2011. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

Property Portfolio

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 Neo 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 contract ⁽²⁾ lease	Appraised value ⁽²⁾ (RMB\$ million)
White Horse Building	Wholesale shopping centre	Yuexiu district	1990	50,199.3	50,128.9	100.00%	1,105	3,076.5
Fortune Plaza	Grade A office	Tianhe district	2003	41,355.2	41,355.2	99.18%	73	632.0
City Development Plaza	Grade A office	Tianhe district	1997	42,397.4	42,397.4	99.16%	59	450.5
Victory Plaza	Retail shopping centre	Tianhe district	2003	27,698.1	27,262.3	99.96%	20	618.0
Neo Metropolis	Commercial complex	Yuexiu district	2007	61,964.3	49,887.3 ⁽¹⁾	98.02% ⁽¹⁾	110	655.5
Total				223,614.3	211,031.1	99.20%	1,367	5,432.5

Notes: (1) Excluding the area of car park of 7,549.0 sq.m. as well as club houses and public ancillary units of 4,528.1 sq.m.;

(2) as at 31 December 2010.

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. Neo 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:

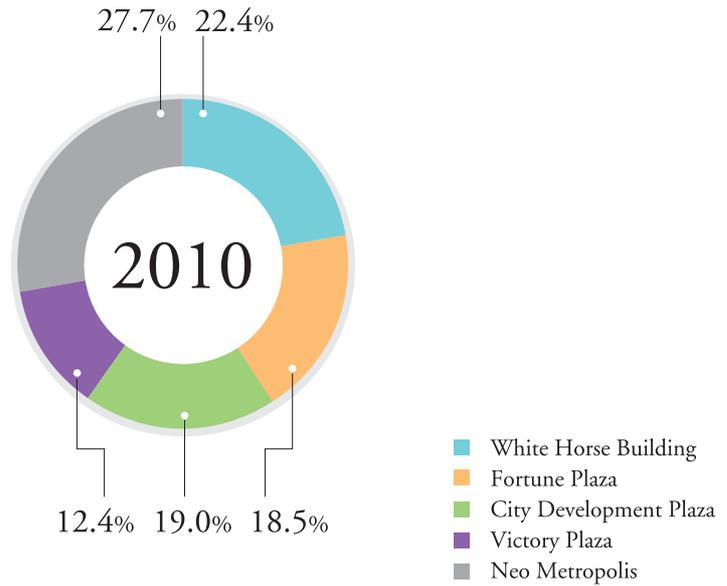


Property Portfolio

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 2010, the overall occupancy rate of the portfolio was 99.2%, maintaining the same level as the corresponding period last year.

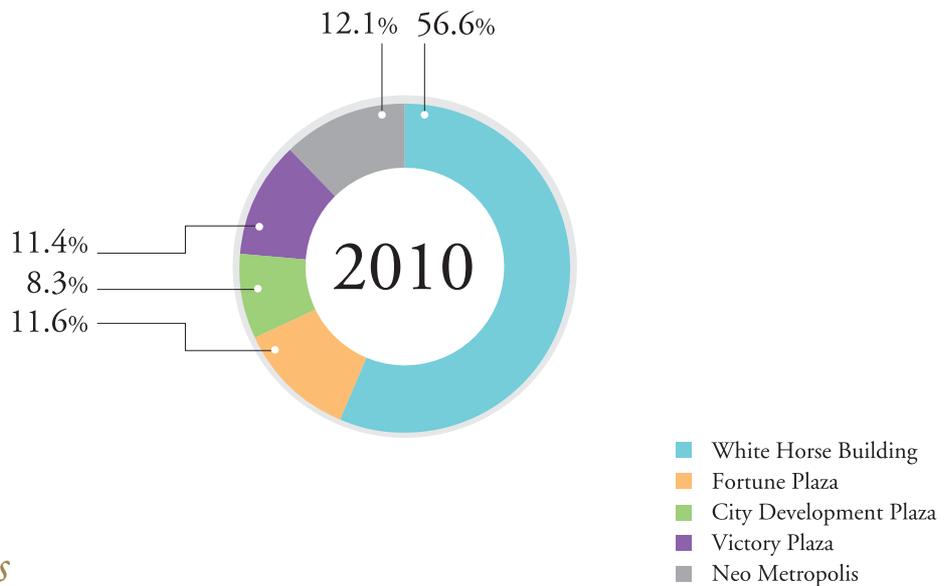
*Area of Ownership
the Properties*



PROPERTY VALUATION

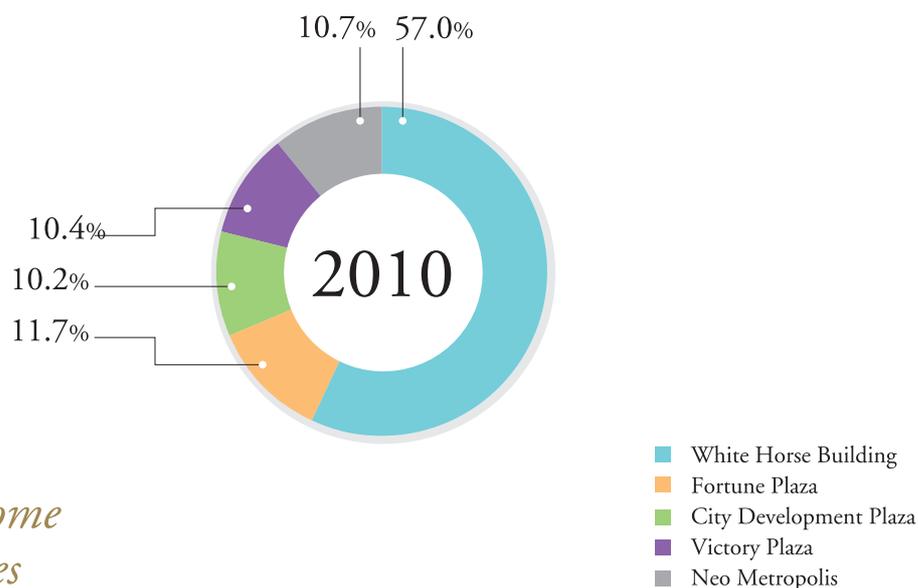
According to the valuation report issued by Vigers Appraisal and Consulting Limited, the property portfolio of GZI REIT was valued at a total value of RMB5,432.5 million as at 31 December 2010.

*Valuation of
the Properties*



OPERATING INCOME GENERATED BY THE PROPERTIES

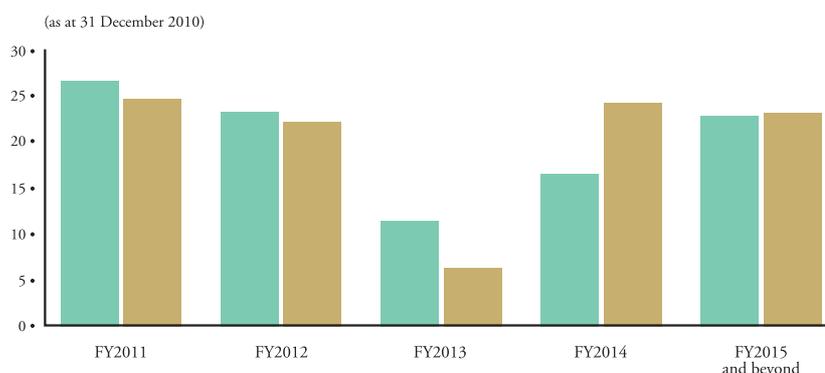
In 2010, GZI REIT recorded a total operating income of RMB484.655 million, an increase of RMB15.677 million, or 3.3%, over the previous year.



Operating Income of the Properties

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 26.5%, 23.1%, 11.3%, 16.4% and 22.7% respectively. In respect of basic monthly rentals, ratios of lease expiries each year will be 24.5%, 22.1%, 6.2%, 24.2% and 23.0%.



Lease Expiry of Properties



WHITE HORSE BUILDING

**A FAMOUS MID TO HIGH-END
FASHION WHOLESALE AND
RETAIL CENTER IN THE PRC**

Property Portfolio

Located in the heart of Liuhua business district and close to the Guangzhou Railway Station, the White Horse Building commenced operation in January 1993. It has a total gross floor area of 60,000 sq.m., comprising four levels of shopping arcades, five levels of offices and an underground car park.

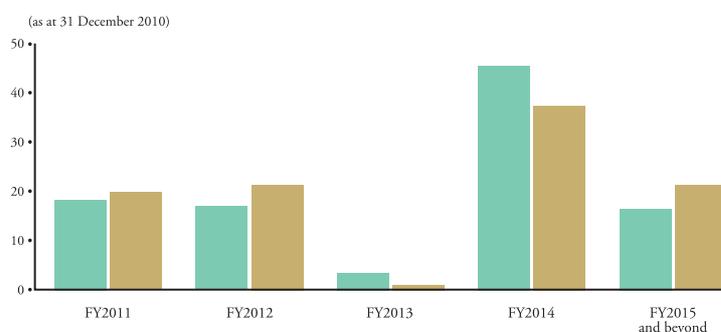
Guangzhou White Horse Clothing Market has gathered more than 1,300 fashion manufacturers from around the country, with the average annual trading volume exceeding RMB3 billion, becoming a domestic mid to high-end fashion wholesale and retail center, as well as a fashion brand franchise and development center. It has become the modern integration service platform, integrating commodities trading, brand display, information exchange, trade negotiations, order to join, e-commerce, fashion trends release, logistics distribution and industry services. With the fashionable decoration, the mall is equipped with modern facilities, including central air conditioning, passenger/freight lifts, security control

system, fire protection system and broadband network. Furthermore, there is also a multi-functional performance stage, a customer services center, a logistics center, banks, supermarkets, parking lots, and food and beverage.

After 17 years of development, Guangzhou White Horse Clothing Market has become a bellwether in the clothing wholesales sector of the country. Over the years, Guangzhou White Horse Clothing Market has won various awards such as Top 10 Garment Wholesale Market Award of China, the Incubation base of China Fashion Brand, the Model Market Award at provincial, municipal and national levels, Top Ten Model Market Award of Guangdong Province, Trustworthy Demonstration Enterprises in Guangdong, Top 50 Markets with Strongest Commodity Trading Competitiveness in Guangdong, Most Competitive Market in the Garment Industry in Guangdong, Leading Enterprise in Guangdong and 100 Best Service Providers in Guangzhou.

Top Ten Tenants by Rental Income (as at 31 December 2010)

Name of tenant	Industry	% of gross rentable area	% of total monthly rentals
Lin Mingguang	Wholesale/retail	0.94%	1.23%
Zhao Kechun	Wholesale/retail	0.63%	0.94%
Zhu Dixiong	Wholesale/retail	0.82%	0.93%
Lu Shaoying	Wholesale/retail	1.08%	0.92%
Wang Feng	Wholesale/retail	0.66%	0.90%
Huang Yonghui	Wholesale/retail	0.81%	0.89%
Shi Shali	Wholesale/retail	0.63%	0.87%
Zhang Muchao	Wholesale/retail	0.63%	0.78%
Zhang Lingzhen	Wholesale/retail	0.59%	0.76%
Zhou Fawei	Wholesale/retail	0.58%	0.75%
Total		7.37%	8.97%

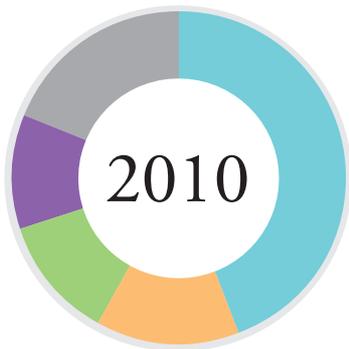


Lease Expiry of White Horse Building

■ Rentable Area
■ Rental income

Property Portfolio

Analysis on Gross Rental Area by Geographical Areas of Tenants

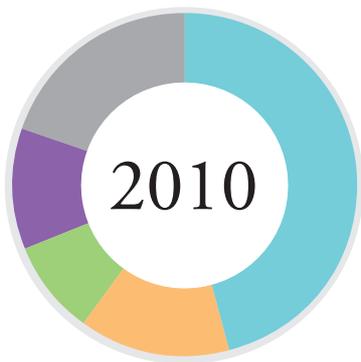


■ Guangdong (including Guangzhou)	44.2%
■ Zhejiang	14.1%
■ Hong Kong, Macau and Taiwan	11.9%
■ Fujian	11.1%
■ Others	18.7%



Ground Floor

Analysis on Total Rental Income by Geographical Areas of Tenants



■ Guangdong (including Guangzhou)	46.1%
■ Zhejiang	14.1%
■ Hong Kong, Macau and Taiwan	8.9%
■ Fujian	11.3%
■ Others	19.6%



Prominent Shops



Ladies Fashion on 3rd floor



FORTUNE PLAZA

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

Property Portfolio

Located in Ti Yu Dong Road which is known as the “Guangzhou Wall Street”, Fortune Plaza is a property erected above the Ti Yu Zhong Xin station of the No. 1 metro line of Guangzhou. It is easily accessible and adjacent to two important business districts, i.e. Pearl River New City area in the south and Tianhe North in the north and boasts geographical advantages. This project has a total gross floor area of more than 80,000 sq.m and comprises two office buildings, a commercial podium and an underground car park. Fortune Plaza has a large waterscape leisure plaza and is one of the scarce pure intelligent 5A Grade-A office buildings in the Tianhe CBD business circle in Guangzhou which offers an

elegant and quiet working environment. Inside the building, there are banks, a business center, a large conference center, convenience stores and a grand clubhouse, which provide all-round and convenient ancillary business services for business people in the building.

Existing tenants of Fortune Plaza include many famous enterprises, such as Citibank, DBS Bank, HSBC Software, Astrazeneca, Guoyuan Securities, Toyota Motor, CTRIP, Zhenrong Gas (振戎燃氣) and LG Chem.

Fortune Plaza was awarded “National Model Building for Property Management” by the Ministry of Construction of the PRC in 2006.

Top Ten Tenants by Rental Income (as at 31 December 2010)

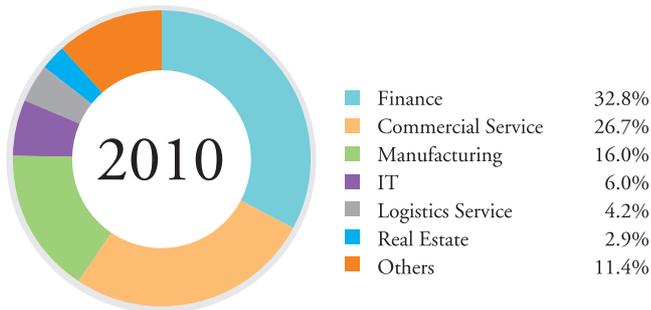
Name of tenant	Industry	% of gross rentable area	% of total monthly rentals
HSBC Software Development (Guangdong) Limited	Finance	25.51%	20.24%
Korea National Tourism Organization Guangzhou Office	Commercial service	1.18%	6.80%
Wall Street English Training Center (Guangdong) Co., Ltd.	Commercial service	3.74%	5.35%
Astrazeneca (Wuxi) Trading Co., Ltd. (阿斯利康(無錫)貿易有限公司)	Manufacturing	4.82%	4.88%
DBS Bank (China) Limited Guangzhou Branch	Finance	3.15%	3.64%
Guoyuan Securities Co., Ltd.	Finance	3.60%	3.57%
Guangzhou Real Kungfu Catering Co., Ltd.	Catering	1.10%	3.03%
Guangzhou Ctrip International Travel Service Co., Ltd.	Commercial services	2.87%	2.98%
CITS American Express Southern Air Services Ltd.	Logistics service	2.42%	2.49%
Guangzhou Zhenrong Gas Chain Co., Ltd. (廣州市振戎燃氣連鎖經營有限公司)	Commercial service	2.42%	2.49%
Total		50.81%	55.47%



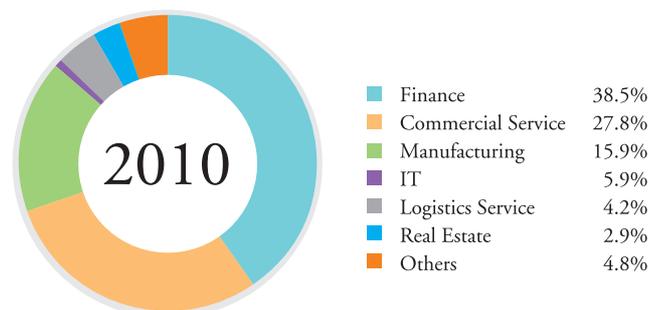
Lease Expiry of Fortune Plaza

■ Rentable Area
■ Rental income

Analysis on Total Rental Income by Industries of Tenants



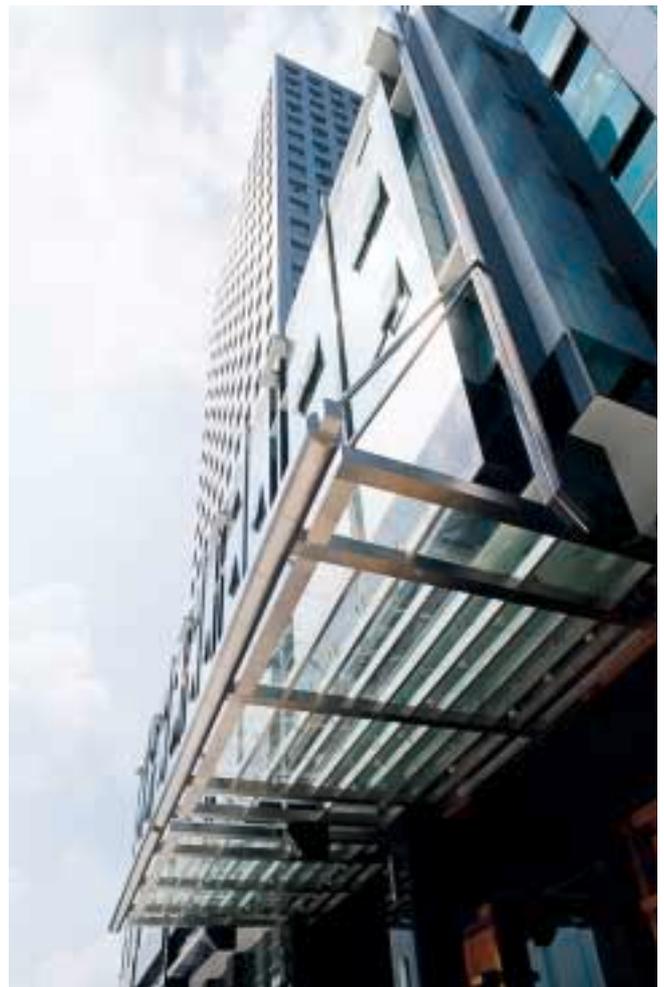
Analysis on Gross Rentable Area by Industries of Tenants



Main Lobby



Lift Lobby



Exterior of the Building



CITY DEVELOPMENT PLAZA

**GRADE-A COMMERCIAL BUILDING,
HOME OF LARGE ENTERPRISES**

Property Portfolio

City Development Plaza is located in the Tianhe central business district with lots of high-class office buildings, being one of the advanced intelligent comprehensive commercial buildings, integrating commerce, office and food and beverage. The plaza faces Tian He Sports Stadium Area, only several footsteps from the metro station and Guangzhou Railway East Station. There are more than 20 public transport routes leading to it, enjoying convenient transportation connections. The plaza has a gross floor area of more than 80,000 sq.m., including a commercial podium, an office tower and a 2-storey underground car park. There is a large leisure plaza, with an area of more than 5,000 sq.m., in which ancillary facilities are equipped with, including a senior business club with a gross floor area of 1,600 sq.m., a

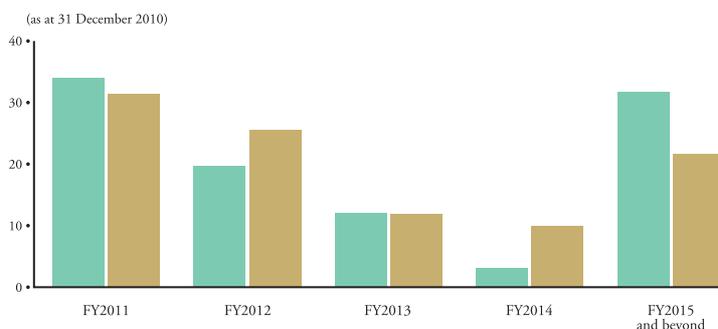
business center, a business exhibition hall and a large conference room, offering its customers a pleasant and convenient business environment.

Existing tenants of City Development Plaza include many famous enterprises, such as AIA, SPD Bank, Shenzhen Development Bank, E-Fund Company and Taikang Life.

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.

Top Ten Tenants by Rental Income (as at 31 December 2010)

Name of tenant	Industry	% of gross rentable area	% of total monthly rentals
Shanghai Pudong Development Bank Guangzhou Branch	Finance	12.29%	19.72%
Efund Management Co., Ltd.	Finance	17.40%	17.87%
Taikanglife Insurance Co., Ltd. Guangdong Branch	Finance	10.03%	9.62%
Guangzhou Wisevalley Development Co., Ltd.	Commercial Service	18.47%	9.59%
Shenzhen Development Bank Guangzhou Branch, Yangcheng sub-branch (深圳發展銀行廣州分行羊城支行)	Finance	1.89%	5.94%
AIA Company Limited, Guangdong Branch	Finance	4.35%	3.91%
Shenzhen Development Bank Co., Ltd. Guangdong Branch	Finance	0.86%	2.81%
Yuexiu Property Co., Ltd. (越秀地產股份有限公司)	Real Estate	2.50%	2.37%
Guangzhou Yueyin Industrial Investment Company (廣州越銀實業投資公司)	Real Estate	2.23%	2.12%
Guangzhou Jinjun Investment Holding Co., Ltd. (廣州金駿投資控股有限公司)	Commercial Service	1.88%	1.97%
Total		71.90%	75.92%

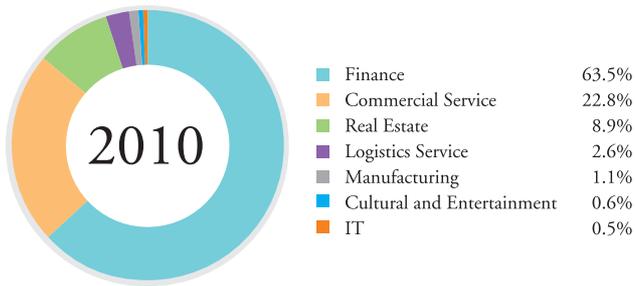


Lease Expiry of City Development Plaza

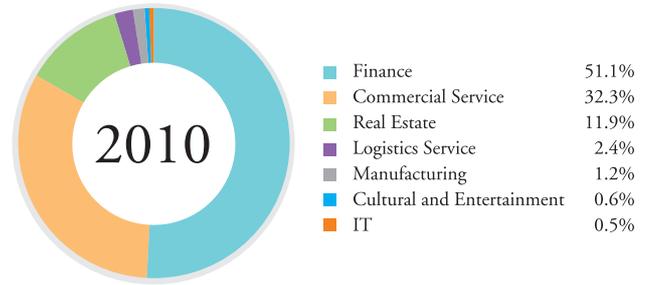
■ Rentable Area
■ Rental income

Property Portfolio

Analysis on Total Rental Income by Industries of Tenants



Analysis on Gross Rentable Area by Industries of Tenants



Exterior of the Building



Atrium



Main Lobby



VICTORY PLAZA

**A METRO CONCEPT SHOPPING
ARCADE, A DIAMOND IN THE CORE
BUSINESS HUB**

Property Portfolio

Victory Plaza, located at the Tianhe business district of the New Town Center in Guangzhou, is a large comprehensive plaza, integrating shopping, dining, comprehensive commerce, leisure and office. To the east, it connects the interchange station between No. 1 and No. 3 metro lines. There are dozens of bus routes extending in all directions.

Victory Plaza, with a total gross floor area of approximately 140,000 sq.m, comprises a podium mall and two super grade-A office towers (Tower A has 52 storeys and tower B has 36 storeys), in which the floors (from the first basement floor to the sixth floor) belong to a commercial podium, anchored with GOME

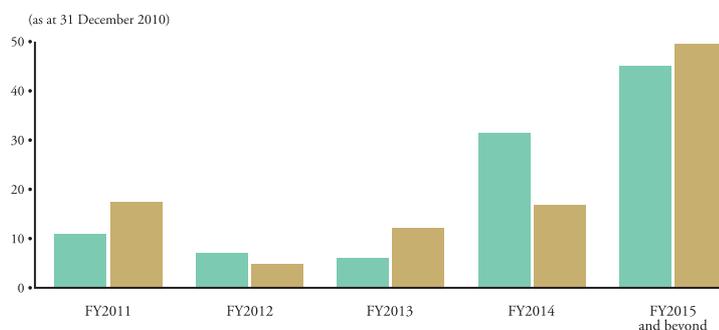
Electrical Appliances stores, leisure tea bars, food and beverage outlets and banks, and has a large car park with 438 car parking spaces and a multi-functional convention centre, providing visitors with a full range of services.

Victory Plaza is anchored with a number of renowned enterprises, including GOME Electrical Appliances, Starbucks, KFC, Industrial and Commercial Bank of China, China Merchants Bank, Teletubbies and J.M. Developments, etc.

Victory Plaza was recognized as a “Demonstration Project for Property Management in Guangdong” in 2010.

Top Ten Tenants by Rental Income (as at December 31 2010)

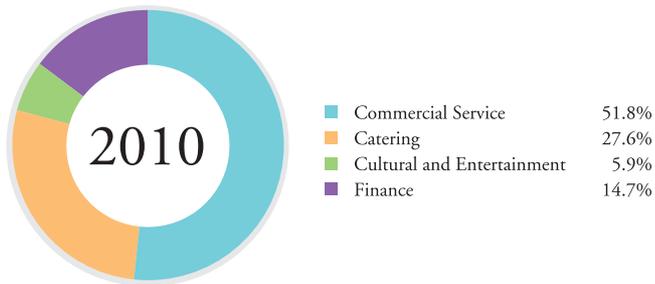
Name of tenant	Industry	% of gross rentable area	% of total monthly rental
Guangzhou GOME Electrical Appliances Co., Limited	Commerce service	44.56%	50.11%
China Merchants Bank Co., Ltd. Guangzhou Branch	Finance	2.84%	7.87%
Industrial and Commercial Bank of China Limited Guangzhou Dezheng Zhong Road Sub-branch	Finance	1.53%	6.92%
J.M. Developments	Catering	11.07%	5.71%
Chen Huiyi	Catering	10.17%	5.07%
Yum! Restaurants (Guangdong) Co., Ltd.	Catering	3.08%	4.09%
Guangzhou Dianxi Education Consultation Co., Ltd. (廣州市點犀教育諮詢有限公司)	Commerce service	4.02%	3.90%
Zhou Caixia	Catering	7.32%	3.65%
Hunan Home	Catering	5.82%	3.03%
Guangzhou Libao Catering Management Co., Ltd (廣州市利寶餐飲管理有限公司)	Catering	2.75%	2.25%
Total		93.16%	92.60%



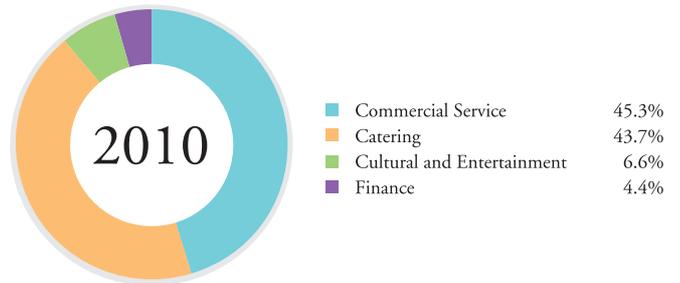
Lease Expiry of Victory Plaza

■ Rentable Area
■ Rental income

Analysis on Total Rental Income by Industries of Tenants



Analysis on Gross Rentable Area by Industries of Tenants



Shopping area in the walk-up Basement



Events and Activities



Exterior of the Building



NEO METROPOLIS

**PROPERTY ABOVE THE METRO,
A MULTI-FUNCTIONAL AND
EFFICIENT COMMERCIAL COMPLEX**

Property Portfolio

Neo Metropolis is located at the intersection of Zhongshan 6 Road and Renmin Road in the traditional business centre of Guangzhou. It is a property above the Metro Line No.1 with good accessibility. It has a total gross floor area of almost 90,000 sq. m, and comprises of three 23-story premium office buildings located on the east, central and west, respectively, with a hanging garden every three story. It is equipped with environmentally-friendly air-conditioners, and provides a healthy, comfortable environment for 24-hour office work. Its retail podium (i.e. the first basement floor to the fifth floor) has a shopping mall of digital products, a gym and food and beverage outlets. It is also equipped with a bank, a multi-functional convention centre, and an underground car park with 112 parking lots. It is an office

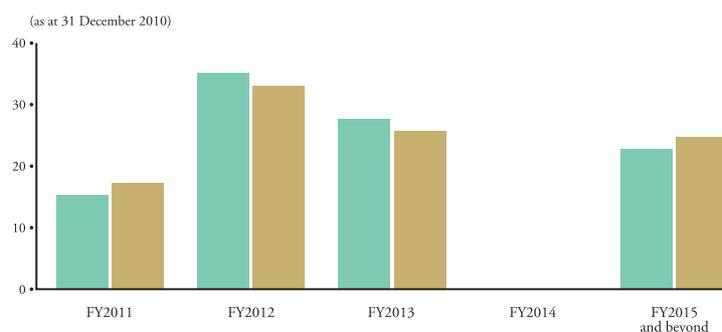
building of business, food and beverage and entertainment and office.

Neo Metropolis is anchored with a number of renowned enterprises, including Bank of China, China Minsheng Banking Corp., Ltd., Ping An Life Insurance, China Mobile, TNT, Star Cruises (Hong Kong) and Fairwood.

Neo Metropolis was recognized as a “Silver Medal for National Quality Engineering” for its construction quality by the Jury of National Engineering Construction Quality Award in 2008, and was recognized as a “Demonstration Building of Property Management in Guangzhou” and a “Demonstration Building of Property Management in Guangdong”.

Top Ten Tenants by Rental Income (as at 31 December 2010)

Name of tenant	Industry	% of gross rentable area	% of total monthly rental
EGO Digital Technology Group (Guangzhou) Co., Ltd.	Information Technology	16.59%	18.92%
Ping An Life Insurance Company of China, Ltd. Guangdong Province Branch	Finance	7.45%	6.79%
ALP School	Education	7.43%	6.58%
Guangzhou GOME Electrical Appliances Co., Limited	Commerce	4.75%	4.42%
TNT Express Worldwide (China) Ltd.	Logistics Service	4.17%	3.96%
Bank of China Limited Guangzhou Changdi Sub-branch	Finance	0.57%	3.71%
H. D. Lee Apparel Limited Guangzhou Branch	Commerce Service	3.14%	3.38%
China Mobile Group (Guangdong) Co., Ltd Guangzhou Branch	Information Technology	2.83%	2.51%
Essence Securities Co., Ltd., Guangzhou Zhongshan Liu Road, Securities Business Department	Finance	2.36%	2.51%
Shenzhen Fairwood Fast Food Limited	Catering	1.63%	2.02%
Total		50.92%	54.80%

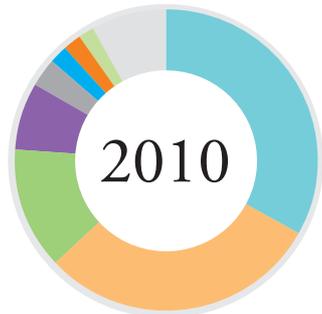


Lease Expiry of Neo Metropolis

■ Rentable Area
■ Rental income

Property Portfolio

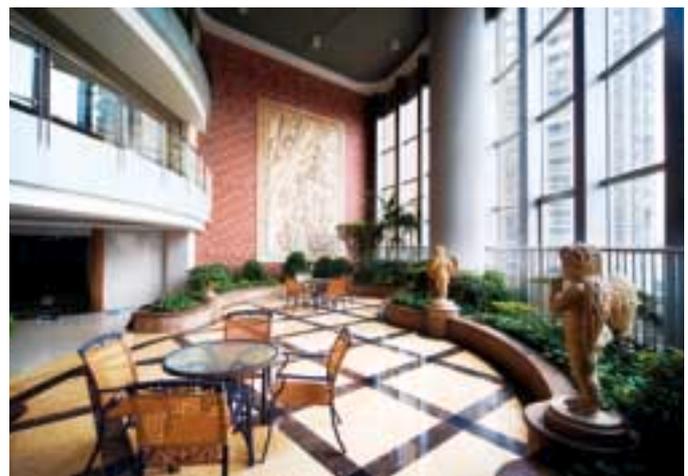
Analysis on Total Rental Income by Industries of Tenants



IT	33.2%
Commercial Service	30.1%
Finance	13.0%
Logistics services	7.3%
Real Estate	3.0%
Cultural and Entertainment	1.9%
Manufacturing	2.0%
Catering	1.5%
Others	8.0%

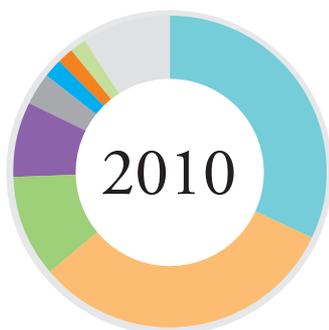


Main Lobby



Indoor Garden

Analysis on Gross Rentable Area by Industries of Tenants



IT	32.2%
Commercial Service	31.7%
Finance	10.6%
Logistics services	7.8%
Real Estate	3.3%
Cultural and Entertainment	2.1%
Manufacturing	1.7%
Catering	1.5%
Others	9.1%



Conference Room

Report of the Trustee

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 and the Second Supplemental Deed dated 23 July 2010 for the financial year ended 31 December 2010.

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

Hong Kong, 10 March 2011

Directors' and Senior Executives' Profiles

DIRECTORS

The Directors of the Manager are:

Name	Age	Position
Mr LIANG Ningguang (梁凝光)	57	Chairman and Executive Director
Mr LIU Yongjie (劉永杰)	53	Chief Executive Officer and Executive Director
Mr LIANG Youpan (梁由潘)	55	Non-Executive Director
Mr CHAN Chi On, Derek (陳志安)	47	Independent Non-Executive Director
Mr LEE Kwan Hung, Eddie (李均雄)	45	Independent Non-Executive Director
Mr CHAN Chi Fai, Brian (陳志輝)	56	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 Guangzhou Yue Xiu Holdings Limited ("GZYX"), an executive director of GZI Transport Limited (Stock Code: 1052) and a director of Yue Xiu Securities Co. Ltd. Mr Liang was formerly an executive director and deputy general manager of YXP (Stock Code: 0123).

Prior to joining Yue Xiu Enterprises (Holdings) Limited 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 has been appointed as Executive Director of GZI Transport Ltd (Stock Code: 1052) since 14 August 2009. He is concurrently Deputy General Manager of GZYX but has devoted, and expected to continue to devote, 90.0% 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 15 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.

*Directors' and Senior Executives' Profiles***Non-executive Director****Mr LIANG Youpan**

Mr Liang is a non-executive Director of the Manager. He has been appointed as Executive Director of YXP since 1 January 2010 and is currently also the Deputy General Manager of Yue Xiu, YXP 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.

Mr Chan is a Group Executive Director of Haitong International Securities Group Limited, a company listed on the Stock Exchange and is also currently the Managing Director of Haitong International Capital Limited, 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 independent non-executive director of Longfor Properties Co. Ltd. and Sheng Yuan Holdings Ltd., which are companies listed on the main board of Stock Exchange and is also an adjunct professor of in the School of Accounting and Finance of the Hong Kong Polytechnic University. Mr Chan possesses over 20 years of experience in the financial services industry.

Mr LEE Kwan Hung, Eddie

Mr Lee Kwan Hung, Eddie, was appointed an independent non-executive Director on 11 November 2005. 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 and is a practising lawyer. Mr Lee was a Senior Manager of the Listing Division of The Stock Exchange between 1993-94. Mr Lee is currently an independent non-executive director of Embry Holdings Limited, NetDragon Websoft Inc., Asia Cassava Resources Holdings Limited, Futong Technology Development Holdings Limited, New Universe International Group Limited and Walker Group Holdings Limited, the shares of these companies are listed on the Stock Exchange. Mr. Lee was also a non-executive director of Mirabell International Holdings Limited and GST Holdings Limited, which listing of their shares on the main board of the Stock Exchange have been withdrawn.

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.

Directors' and Senior Executives' Profiles

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 LIANG Danqing

Mr Liang is a Deputy Chief Executive Officer and heads the Corporate Services team of the Manager. He is responsible for overseeing corporate services and asset management operations 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 of Business Administration from the University of Western Sydney.

Mr LIN Deliang

Mr Lin is a Deputy Chief Executive Officer of the Manager and is responsible for identifying and assessing potential acquisition opportunities, to strengthen the current property portfolio, and in-charge of investor relation and market capitalization management. Prior to joining the Manager, Mr Lin was deputy general manager of Guangzhou Dongfang Hotel Group of Yue Xiu Group, responsible for lease and sales, financial revenue management, hotel brand development, tourism affairs etc. After joining GCCD in 1992, Mr Lin held various managerial positions in investment development department, Xingye Real Estate Agent Co., Ltd., Guangzhou Investment (HK Property) Company Limited, participated and in-charged of investment recommendation, market analysis, feasibility study, sales and marketing programmes for various large scale residential and commercial property, and was responsible for the sales of properties located in Hong Kong, Macau, France, Singapore etc from 2003 to 2005.

Directors' and Senior Executives' Profiles

Mr Lin is familiar to investment, sales and operation of property, and hotel management. He has over 15 year experience over property investment and operation strategy. Mr Lin is Real Estate Appraiser of China, China Land Valuer and China Real Estate Agent.

Mr Lin was graduated from Jinan University in the PRC with professional studies in corporate management, and obtained a Bachelor degree in Economics. He completed a MBA postgraduate course at South China University of Technology from 2004 to 2005 and obtained a Master degree in Business Administration from University of Management and Technology.

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 of 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 Master degree in Business Administration and a Bachelor degree in Accounting from the University of Hong Kong.

Mr. LIAO Ningjuan

Mr. Liao heads the investment team of the Manager.

Prior to joining Yue Xiu group, Mr. Liao worked with the Guangzhou Municipal Finance Bureau and the Guangzhou Municipal Taxation Bureau where he obtained broad spectrum of PRC financial and taxation exposure. Mr. Liao has been working with Yue Xiu group since 1992. He had been the General Manager Assistant of the Finance and Accounts Department of Yue Xiu group and was the director and Deputy General Manager of Yue Xiu Finance Company Limited and Yue Xiu Securities Company Limited. Before joining the Manager, Mr. Liao is mainly responsible for corporate finance, capital restructuring and M&A and investment projects. He has more than 25 years' experience in investment, financial management and China taxation in real estate, financial and securities industries.

Mr. Liao graduated from Guangzhou Financial School majoring in accounting and financial management, and possesses a Master's degree in Business Administration from Murdoch University, Australia. He is now a licensed person under the SFO and is authorized to carry out regulated activities of type 9.

Directors' and Senior Executives' Profiles

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.

Mr YU Tat Fung

Mr Yu Tat Fung is the company secretary and appointed as the Compliance Manager on 1 March 2010 of the Manager. He is also the legal counsel of YXP and, from October 2004, the company secretary of both YXP and GZI Transport Limited. Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining YXP in 1997, he was engaged in private practice with an emphasis on corporate and commercial law.

The Leasing Agents

The Leasing Agents

Yicheng was incorporated in the PRC in 1997 and is 85.7% owned by YXP. It was GB/T19001-2008 and ISO9001:2008 certified in 2009.

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

YXP, 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 YXP 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 YXP 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 YXP group (“YXP 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 YXP Property Manager. These include having separate operating premises and IT systems, and separate reporting lines, for each of the Leasing Agents and the YXP 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 YXP Property Manager have been physically segregated.

The Leasing Agents

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”) Keen Ocean Limited (“Keen Ocean”), Guangzhou Jieyacheng Properties Co., Ltd or, as the case may be, 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 YXP 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 YXP Group, to devise and implement the relevant business proposal.

YXP, 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.

Corporate Governance

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 two 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 separated 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.

Corporate Governance

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.

Corporate Governance

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 results for GZI REIT will be announced no later than three months following each financial year end and 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 apprised 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.

Corporate Governance

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 2011.

Connected Party Transactions

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:

LEASING TRANSACTIONS

Certain portions of City Development Plaza and Neo 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 during 2010 Reporting Year (RMB)
City Development Plaza									
Yicheng ⁽¹⁾	1st floor	an associate of the Manager	97.0	1 May 2007	485	5	0	3	5,820
YXP	16th floor	a significant holder	1,060.5	1 Jan 2010	100,747	95	0	1	1,208,964
Guangzhou office of Yue Xiu	16th floor	a significant holder	46.1	1 Jan 2010	4,380	95	0	1	52,560
Guangzhou Xingye Real Estate Agent Co., Ltd. (Xingye)	24th floor	an associate of the Manager	818.07	1 Feb 2009	81,807	100	0	3	981,684
Guangzhou City Construction Development Co. Ltd. (“GCCD”)	24D	an associate of the Manager	208.19	1 Sep 2009	19,778	95	0	2	237,336
GCCD	17CD	an associate of the Manager	334.64	16 Jan 2010	31,791	95	0	1	366,109
								Sub-total:	2,852,473
Neo Metropolis									
Guangzhou White Horse Clothing Market Ltd.	Basement 2nd, 3rd floors	an associate of the Manager	7,621.03 ⁽²⁾	1 Aug 2009	100,000	13	0	3.42	1,178,000
								Sub-total:	1,178,000
								Total:	4,030,473

(1) On 30 April 2010, Yicheng entered into a lease with Full Estates, in respect of the 1st floor of City Development Plaza, renewing the existing term for another 3 years commencing 1 May 2010.

(2) The total floor area of the carparking spaces is approximately 7,621.03 sq.m. including approximately 72 sq.m. to be allocated to the predecessor of the Domestic JV Partner.

Connected Party Transactions

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 2010 Reporting Year (RMB)
White Horse Property Manager	Associate of Manager	White Horse Building	18 Oct 2008	Property Management Agreement	N/A
Yicheng ⁽¹⁾	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	Neo Metropolis	28 Dec 2007	Property Management Agreement	N/A

(1) On 19 July 2010, Yicheng entered into a property management agreement with the Landlord Committee of City Development Plaza, renewing the existing agreement on its prevailing terms and conditions for another 3 years commencing on 19 July 2010.

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	Date of Agreement	Nature of transaction	Amount paid/ payable for 2010 Reporting Year (RMB)
White Horse Property Manager	Associate of Manager	White Horse Building	8 Dec 2008	Tenancy Services Agreement	8,285,000
Yicheng	Associate of Manager	Fortune Plaza	8 Dec 2008	Tenancy Services Agreement	2,281,000
Yicheng	Associate of Manager	City Development Plaza	8 Dec 2008	Tenancy Services Agreement	2,016,000
Yicheng	Associate of Manager	Victory Plaza	8 Dec 2008	Tenancy Services Agreement	2,007,000
Yicheng	Associate of Manager	Neo Metropolis	2 Jun 2008	Tenancy Services Agreement	2,020,000
Yicheng	Associate of Manager	Fortune Plaza 1701	24 Aug 2008	Tenancy Services Agreement	60,000

Connected Party Transactions

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 2010 Reporting Year	Licence Period
White Horse Property Company	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

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.

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 2010 Reporting Year (RMB) ¹
HSBC Software Development (Guangdong) Limited	4th storey	4,275.1	1 Feb 2008	391,214	92 ¹	0	3	4,694,000
	5th storey	4,275.1	1 Feb 2008	391,214	92 ¹	0	3	4,694,000
	3rd storey	2,000	1 Dec 2006	183,020	92 ¹	60	4.2	2,057,000
Total:								11,445,000

1. With effect from 1 February 2010, the rent per square meter was adjusted to approximately RMB96 per month.

Connected Party Transactions

ORDINARY BANKING SERVICES

The following table sets forth information for the year in relation to the ordinary banking and financial services 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 2010 Reporting Year
Loan ¹	6 November 2008	HK\$310 million	RMB446,000	RMB7,609,000

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 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 2010 Reporting Year.

*Connected Party Transactions***CONFIRMATION BY GZI REIT EXTERNAL AUDITORS**

GZI REIT's external auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 54 to page 58 of the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Manager to The Stock Exchange of Hong Kong Limited.

MANAGER'S FEES

During the 2010 Reporting Year, the aggregate amount of fees payable by GZI REIT to the Manager under the Trust Deed was approximately RMB29,449,000.

TRUSTEE'S FEES

During the 2010 Reporting Year, the aggregate amount of fees payable by GZI REIT to the Trustee under the Trust Deed was approximately RMB1,807,000.

PRINCIPAL VALUER'S FEES

During the 2010 Reporting Year, the aggregate amount of fees payable by GZI REIT to the Principal Valuer was RMB218,000.

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:

Name of Director	Nature of Interest	As at 1 January 2010		As at 31 December 2010		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
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 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.

Connected Party Transactions

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 2010		As at 31 December 2010		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Guangzhou Yue Xiu Holdings Limited ("GZYX") ¹	Deemed	—	—	388,514,767	36.45%	36.45%
	Total	—	—	388,514,767	36.45%	36.45%
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Beneficial	27,320	0%	27,320	0%	—
	Deemed	389,629,447	36.55%	388,487,447	36.45%	(0.1)%
	Total	389,656,767	36.55%	388,514,767	36.45%	(0.1)%
YXP ²	Beneficial	—	—	—	—	—
	Deemed	379,253,182	35.58%	379,253,182	35.58%	—
	Total	379,253,182	35.58%	379,253,182	35.58%	—
Dragon Yield Holding Limited ("Dragon Yield")	Beneficial	379,253,182	35.58%	379,253,182	35.58%	—
	Deemed	—	—	—	—	—
	Total	379,253,182	35.58%	379,253,182	35.58%	—

1 Further information in relation to interests of corporations controlled by GZYX:

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Yue Xiu	GZYX	100.00	Y	27,320	—
	GZYX	100.00	N	388,487,447	—
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	—
YXP	Bosworth International Limited	34.06	N	379,253,182	—
Dragon Yield	YXP	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	—

Connected Party Transactions

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
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 Co., Ltd.	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	1,299,230	—

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

Connected Party Transactions

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 2010		As at 31 December 2010		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Ms. Chen Huiqing	Personal ⁽¹⁾	510	0%	510	0%	—
Mr. Ip Wing Wah	Personal	1,900	0%	1,900	0%	—
Ms. Ou Haijing	Personal	1,000	0%	1,000	0%	—

(1) 255 units held by spouse

Save as disclosed above, the Manager is not aware of any connected persons of GZI REIT, including the Trustee and Vigers holding any Units as at 31 December 2010.

Unit Options

During the 2010 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.

Property Valuation Report

Vigers Appraisal and Consulting Limited

International Property Consultants

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398 Kwun Tong Road, Kowloon, Hong Kong

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www.Vigers.com



10th March 2011

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”)

17/F, Tower 2 &3

HSBC Centre

1 Sham Mong Road

Kowloon

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”)(THE SUBJECT PROPERTIES)

With reference to the instruction of the Manager and the Trustee on behalf of “GZI Real Estate Investment Trust” (“GZI REIT”), we have prepared a report setting out our opinion of values of the Subject Properties for annual accounting purpose. 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 2010 (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 2010
1. White Horse Building	RMB3,076,500,000
2. Fortune Plaza	RMB632,000,000
3. City Development Plaza	RMB450,500,000
4. Victory Plaza	RMB618,000,000
5. Yue Xiu Neo Metropolis Plaza	RMB655,500,000

This report is for the use of the above addressees and for the purpose 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 to 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:

1. 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;
2. we are authorised to practise as valuer and have the necessary expertise and experience in valuing similar types of properties;
3. our valuations have been prepared on fair and unbiased basis; and
4. 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 28 years' valuation experience on properties in Asia Pacific including Hong Kong, Macao and the People's Republic of China, who has been vetted on the list of property valuers for undertaking valuations for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers published by The Hong Kong Institute of Surveyors, and is suitably qualified for undertaking valuations relating to listing exercises.

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 Division (“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 28 years’ of experience in valuation of properties of this magnitude and nature, and over 24 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 or domain.

1.3. DATE OF VALUATION AND TERMS OF REFERENCE

We accept instruction to conduct valuations of the Subject Properties as at 31st December 2010 (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. Inspection to the Subject Properties was carried out on 4th January 2011. We confirm that we have made relevant enquiries and obtained such information as we consider necessary to conduct the valuations.

2. BASIS OF VALUATION

Our 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 on 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 out 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 let basis having regard to the current passing rental income from existing tenancies and potential future reversionary income at 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 terms; whilst the reversionary value assessments are taken to be current market rental income upon lease expiry and are capitalised on fully let basis and 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 "time value of money" into account 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 appropriate discount rate to reflect the opportunity cost, which reflects the returns available on investing in an alternative investment 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.

Property Valuation Report

4. TITLE PARTICULARS

The Subject Properties are located in 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.

6. CAVEATS AND ASSUMPTIONS

Our valuations are subject to the following caveats and assumptions.

1. Inspection to the exterior and interior of the Subject Properties has been carried out; but no test was carried out on any of the services.
2. 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.
3. We have assumed that the Subject Properties have been constructed, occupied and used in full compliance with, and without contravention of, all ordinances and regulations, 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.
4. 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 term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which may serve to affect the values of the Subject Properties. In addition, no forced sale situation in any manner is assumed in our valuations.
5. 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.
6. 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.
7. 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 rolls, age and specifications of buildings as well as in the identification of the Subject Properties.

8. 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.
9. Based on our experience of valuations of similar properties in the PRC, we consider that the assumptions so made are reasonable.
10. 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.
11. The study of possible alternative development options and the related economics are not within the scope of this report.

Part A – 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

According to the information provided by the Manager, a total of 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
8. Internal Floor Area of the Property	:	48,100.6 sq.m.
9. Gross Rentable Area of the Property	:	50,128.9 sq.m.

Part A – 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 (continued)

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	:	RMB3,076,500,000
12. Rental Income per Month as at the Date of Valuation	:	RMB23,088,155
13. Estimated Current Yield	:	9.01%
14. 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 aboveground, a lower ground level and a basement carpark, is located at Nos. 14, 16 and 18 Zhan Nan Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC. The Property is close to 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 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.

Part A – 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”)

3. THE PROPERTY (continued)

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.

3.4. PROPERTY DESCRIPTION

White Horse Building, a 10-storey commercial wholesale centre for garments, 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’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	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.

Part A – 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”)

3. THE PROPERTY (continued)

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:		<u>50,199.3 sq.m.</u>	<u>48,100.6 sq.m.</u>

Upon our site inspection, we noted that Level 1 to Level 8 of the Property 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.

3.6. 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 a 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 and 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, whole of the Property was leased. 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 Rental Income
50,128.9 sq.m.	RMB23,088,155	RMB277,057,860

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 tenants of the Property are from various industries such as 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.

Part A – 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”)

3. THE PROPERTY (continued)

3.8. OCCUPANCY RATE

According to the information provided by the Manager, the majority of the Property was leased to various tenants as at the Date of Valuation with an occupancy rate of 100% of the Property held by GZI REIT.

3.9. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. 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	6.5%
1	2	8.0%
2	3	6.8%
3	4	7.3%
4	5	53.6%
5	6	17.8%
		100.0%

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 (%)	By area (%)
End of 2010	0.0%
2011	18.2%
2012	16.7%
2013	3.2%
2014	45.4%
2015 and thereafter	16.5%
	100.0%

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.

Part A – 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”)

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 3.0% 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 10.0% 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 let 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 the same and/or 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 9.07% per annum and the reversionary yield is 9.00% per annum. The term yield adopted is very close to the market yield because the current passing rental income of the Property is comparable to the estimated current market rental income.

Part A – 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”)

4. VALUATION

4.2 DISCOUNTED CASH FLOW ANALYSIS

In our valuation, we have adopted a discount rate of 9.40% per annum 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 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 two to three 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	9.40%
Growth Rate (10-year Average)	2.89%
Vacancy Allowance (10-year Average)	0.53%
Bad Debts	0.25% of Rental Income

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	RMB0
Sundry Expenses	0.30% of Rental Income
Insurance	RMB4.00/sq.m./month
Business Tax and others	5.50% 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

Part A – 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”)

5. OPINION OF VALUE

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

Valuation Method	Opinion of Value
Income Capitalisation Approach	RMB3,080,000,000
Discount Cash Flow Analysis	RMB3,073,000,000

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 is **RMB3,076,500,000 (RENMINBI THREE BILLION AND SEVENTY SIX MILLION AND 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.

Part B – 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

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. 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	:	41,355.2 sq.m.

*Part B – 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 (continued)

10. Construction Completion Date	:	2003
11. Market Value in Existing State as at the Date of Valuation	:	RMB632,000,000
12. Rental Income per Month as at the Date of Valuation	:	RMB5,004,223
13. Estimated Current Yield	:	9.50%
14. 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.

2.3. 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.

Part B – 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”)

2. THE PROPERTY (continued)

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. and 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
<i>Podium, Ti Yu Dong Road</i>			
No. 118, Unit 109	Commercial	1,007.4 sq.m.	968.9 sq.m.
No. 118, Level 2	Commercial	845.7 sq.m.	2,275.8 sq.m.
No. 118, Level 3	Commercial	275.1 sq.m.	3,593.0 sq.m.
No. 118, Level 4	Commercial	275.1 sq.m.	3,593.0 sq.m.
No. 118, Level 5	Commercial	275.1 sq.m.	3,593.0 sq.m.

Part B – 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”)

2. THE PROPERTY (continued)

2.5. PORTION OF INTERESTS HELD BY GZI REIT (continued)

Level/Unit	Use	Gross Floor Area	Internal Floor Area
<i>East Tower, Ti Yu Dong Road</i>			
No. 116, Unit 801	Office	180.2 sq.m.	1,150.0 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.

Part B – 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”)

2. THE PROPERTY (continued)

2.5. PORTION OF INTERESTS HELD BY GZI REIT (continued)

Level/Unit	Use	Gross Floor Area	Internal Floor Area
<i>West Tower, Ti Yu Dong Road</i>			
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, Unit 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:		<u>41,355.2 sq.m.</u>	<u>31,389.6 sq.m.</u>

Part B – 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”)

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 and 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 0.82% 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 Rental Income
41,016.9 sq.m.	RMB5,004,223	RMB60,050,676

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 99.18% of the Property held by GZI REIT.

Part B – 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”)

2. THE PROPERTY (continued)

2.9. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. 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	9.2%
1	2	25.0%
2	3	35.5%
3	4	9.3%
4	5	18.2%
5	6	2.8%
		100.0%
		100.0%

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 (%)	By area (%)
End of 2010	0.0%
2011	54.1%
2012	30.7%
2013	4.9%
2014	2.9%
2015	7.4%
	100.0%
	100.0%

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.

*Part B – 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”)*

2. THE PROPERTY (continued)

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 4.0% 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 10.0% 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 let 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 the same and/or 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 are 9.54% and 10.40% per annum for office and retail portions of the Property respectively; and the reversionary yields are 9.50% and 10.00% per annum for office and retail portions of the Property respectively. The term yields adopted are higher than the market yields because the current passing rental income of the Property is higher than the estimated current market rental income.

Part B – 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”)

3. VALUATION (continued)

3.2. DISCOUNTED CASH FLOW ANALYSIS

In our valuation, we have adopted a discount rate of 9.48% per annum 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 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 two years. Upon expiry of such tenancies new leases will be granted or renewed on two years terms at the then existing market rentals. No deduction has been made for the expected maintenance cost 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	9.48%
Growth Rate (10-year Average)	2.55% (Office) and 2.64% (Retail)
Vacancy Allowance (10-year Average)	5.00% (Office) and 3.00% (Retail)
Bad Debts	0.25% of Rental Income

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
Maintenance Cost	Totally RMB11,300,686 in Next 10 Years
Sundry Expenses	1.50% of Rental Income
Insurance	RMB4.00/sq.m./month
Business Tax and others	5.50% 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

*Part B – 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”)*

4. OPINION OF VALUE

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

Valuation Method	Opinion of Value
Income Capitalisation Approach	RMB635,000,000
Discount Cash Flow Analysis	RMB629,000,000

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 **RMB632,000,000 (RENMINBI SIX HUNDRED AND THIRTY TWO 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.

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 **RMB15,987,000 (RENMINBI FIFTEEN MILLION NINE HUNDRED EIGHTY SEVEN THOUSAND ONLY)** assuming it is available for sale in the prevailing market with the benefit of existing tenant and its property title is free from all material encumbrances or defects.

Part C – 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

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	:	RMB450,500,000
12. Rental Income per Month as at the Date of Valuation	:	RMB4,245,199
13. Estimated Current Yield	:	11.31%
14. Remarks	:	The property is subject to a mortgage.

Part C – 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”)

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.

2.4 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 :		<u>74,049.2 sq.m.</u>

Part C – 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”)

2. THE PROPERTY (continued)

2.4 PROPERTY DESCRIPTION (continued)

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. The ground level of the atrium is used for exhibition purposes. 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 roughly 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
Portion of Level 1 *	Commercial	1,580.2 sq.m.
Portion of Level 1 #	Commercial	1,707.4 sq.m.
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.
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.
Total :		<u>42,397.4 sq.m.</u>

* Note: This portion includes management office

Note: Atrium of Level 1 is not a retail unit nor for permanent lease.

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 a 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.

Part C – 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”)

2. THE PROPERTY (continued)

2.7. CURRENT RENTAL INCOME

As at the Date of Valuation, about 0.84% 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 Rental Income
42,040.4 sq.m.	RMB4,245,199	RMB50,942,388

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 99.16 % of the Property held by GZI REIT.

2.9. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. 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	14.2%
1	2	11.8%
2	3	19.6%
3	4	6.3%
4	5	21.7%
5	6	26.4%
		100.0%

Part C – 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”)

2. THE PROPERTY (continued)

2.9. LEASE CYCLE DURATION AND EXPIRY PROFILE (continued)

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 (%)	By area (%)
End of 2010	0.0%
2011	33.8%
2012	19.5%
2013	12.0%
2014	3.1%
2015 and thereafter	31.6%
	100.0%

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 4.0% 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.

Part C – 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”)

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 let 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 the same and/or 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 are 10.97% and 11.45% per annum for office and retail portions of the Property respectively; and the reversionary yields are 10.50% and 11.00% per annum for office and retail portions of the Property respectively. The term yields adopted are higher than the market yields because the current passing rental income of the Property is higher than the estimated current market rental income.

3.2. DISCOUNTED CASH FLOW ANALYSIS

In our valuation, we have adopted a discount rate of 8.99% per annum 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 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 one to two years. Upon expiry of such tenancies new leases will be granted or renewed on two 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	8.99%
Growth Rate (10-year Average)	2.11% (Office) and 2.11% (Retail)
Vacancy Allowance (10-year Average)	5.00% (Office) and 5.00% (Retail)
Bad Debts	0.25% of Rental Income

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

Part C – 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”)

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 RMB10,138,784 in Next 10 Years
Sundry Expenses	1.50% of rental income
Insurance	RMB5.00/sq.m./month
Business Tax and others	5.50% 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 Method	Opinion of Value
Income Capitalisation Approach	RMB466,000,000
Discount Cash Flow Analysis	RMB435,000,000

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 **RMB450,500,000 (RENMINBI FOUR HUNDRED FIFTY MILLION AND 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.

Part D – 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

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
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	:	RMB618,000,000
12. Rental Income per Month as at the Date of Valuation	:	RMB4,315,008
13. Estimated Current Yield	:	8.38%
14. Remarks	:	The property is subject to a mortgage.

Part D – 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”)

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.

Part D – 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”)

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	Carpark	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:		<u><u>52,568.6 sq.m.</u></u>

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 / Unit	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:		<u><u>27,698.1 sq.m.</u></u>	<u><u>22,847.9 sq.m.</u></u>

Part D – 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”)

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 and 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 0.04% 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 Rental Income
27,252.3 sq.m.	RMB4,315,008	RMB51,780,096

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 majority portion of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of 99.96% of the Property held by GZI REIT.

Part D – 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”)

2. THE PROPERTY (continued)

2.9. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. 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	0.2%
1	2	0.1%
2	3	1.9%
3	4	2.9%
4	5	6.0%
5	6	4.0%
6	7	10.1%
7	8	37.4%
8	9	5.8%
9	10	0.0%
Above 10		31.6%
		100.0%
		100.0%

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 (%)	By area (%)
End of 2010	0.0%
2011	10.8%
2012	7.0%
2013	5.9%
2014	31.3%
2015 and thereafter	45.0%
	100.0%
	100.0%

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.

Part D – 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”)

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 4.0% 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 10.0% 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 let 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 the same and/or 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 9.29% per annum; and the reversionary yield is 8.50% per annum. The term yield adopted is higher than the market yield because the current passing rental income of the Property is higher than the estimated current market rental income.

Part D – 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”)

3. VALUATION (continued)

3.2. DISCOUNTED CASH FLOW ANALYSIS

In our valuation, we have adopted a discount rate of 9.01% per annum 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 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 to five years. Upon expiry of such tenancies new leases will be granted or renewed on four 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	9.01%
Growth Rate (10-year Average)	3.00%
Vacancy Allowance (10-year Average)	2.00%
Bad Debts	0.25% of Rental Income

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 RMB9,908,157 in Next 10 Years
Sundry Expenses	0.50% of Rental Income
Insurance	RMB3.50/sq.m./month
Business Tax and others	5.50% 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

Part D – 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”)

4. OPINION OF VALUE

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

Valuation Method	Opinion of Value
Income Capitalisation Approach	RMB617,000,000
Discount Cash Flow Analysis	RMB619,000,000

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 **RMB618,000,000 (RENMINBI SIX HUNDRED AND EIGHTEEN 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.

Part E – 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

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.	Current Registered Owner	:	Guangzhou Jiecheng 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 61,964.4 sq.m.
			Commercial Portion (Basement 1 to Level 4) 15,445.5 sq.m.
			Office Portion (Level 5 to Level 23 excluding Level 6) 34,441.8 sq.m.
			Car Parking Spaces (Basement 2 to Basement 3) 7,549.0 sq.m.
			Others (including Clubhouse on Level 6 and Common Facilities Area) 4,528.1 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.	Gross Rentable Area of the Property	:	49,887.3 sq.m.
9.	Construction Completion Date	:	2005

Part E – 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 (continued)

10. Market Value in Existing State as at the Date of Valuation	:	RMB655,500,000
11. Rental Income per Month as at the Date of Valuation	:	RMB4,381,362
12. Estimated Current Yield	:	8.02%
13. Remarks	:	Nil

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.

2.3. 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.

Part E – 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”)

2. THE PROPERTY (continued)

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 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 *	7,549.0 sq.m.
Basement 2	Common Facilities	487.8 sq.m.
Basement 1	Common Facilities	511.6 sq.m.
Basement 1 to Level 4	Commercial/Retail	15,445.5 sq.m.
Level 5, Level 7 to Level 23	Office	34,441.8 sq.m.
Level 1	Common Facilities	304.0 sq.m.
Level 2	Common Facilities	70.5 sq.m.
Level 3	Common Facilities	127.4 sq.m.
Level 3	Refuge Floor	1,121.8 sq.m.
Level 6	Club House	1,578.5 sq.m.
Level 6	Commercial	158.0 sq.m.
Level 24	Commercial	168.5 sq.m.
Total:		<u><u>61,964.4 sq.m.</u></u>

* Note: The total floor area of the car parking spaces is approximately 7,621.0 sq.m. including approximately 72.0 sq.m. to be distributed to the predecessor of the Domestic JV Partner.

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 seven passenger lifts serving all levels. The standard of services and finishes within the development is considered to be reasonable and 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.

Part E – 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”)

2. THE PROPERTY (continued)

2.7. CURRENT RENTAL INCOME

As at the Date of Valuation, about 1.69% 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 Rental Income
48,897.4 sq.m.	RMB4,381,362	RMB52,576,344

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, the majority of the Property was leased to various tenants as at the Date of Valuation. This equates to an occupancy rate of about 98.02% of the Property held by GZI REIT.

2.9. LEASE CYCLE DURATION AND EXPIRY PROFILE

In general, the typical lease terms of the tenancies are on normal commercial terms. 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	1.1%
1	2	12.2%
2	3	30.0%
3	4	9.9%
4	5	3.5%
5	6	19.7%
6	7	4.9%
7	8	1.7%
8	9	0.0%
9	10	17.0%
		100.0%

Part E – 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”)

2. THE PROPERTY (continued)

2.9. LEASE CYCLE DURATION AND EXPIRY PROFILE (continued)

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 (%)	By area (%)
End of 2010	0.0%
2011	15.0%
2012	34.9%
2013	27.5%
2014	0.0%
2015 and thereafter	22.6%
	100.0%
	100.0%

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.

2.12. 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 4.0% 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 payable by the tenants to the Leasing Agent.

Part E – 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”)

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 let 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 the same and/or 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 are 8.02% and 8.01% per annum for office and retail portions of the Property respectively; and the reversionary yields are 8.75% and 8.50% per annum for office and retail portions of the Property 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.

3.2. DISCOUNTED CASH FLOW ANALYSIS

In our valuation, we have adopted a discount rate of 9.25% per annum 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 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 two to three years. Upon expiry of such tenancies new leases will be granted or renewed on two 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	9.25%
Growth Rate (10-year Average)	2.67% (Office) and 2.78% (Retail)
Vacancy Allowance (10-year Average)	3.00% (Office) and 2.49% (Retail)
Bad Debts	0.25% of Rental Income

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

Part E – 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”)

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 RMB7,239,283 in Next 10 Years
Sundry Expenses	0.50% of Rental Income
Insurance	RMB3.50/sq.m./month
Business Tax and others	5.50% 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 Method	Opinion of Value
Income Capitalisation Approach	RMB665,000,000
Discount Cash Flow Analysis	RMB646,000,000

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 **RMB655,500,000 (RENMINBI SIX HUNDRED FIFTY FIVE MILLION AND 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.

Independent Auditor's Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

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 110 to 140, which comprise the consolidated balance sheet as at 31 December 2010, and the consolidated statement of comprehensive income, 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 consolidated financial statements

The Manager of GZI REIT is responsible for the preparation of consolidated financial statements that give a true and fair view 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 first supplemental deed on 25 March 2008 and second supplemental deed on 23 July 2010 (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"), and for such internal control as the Manager determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditor's Report

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 2010 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, 10 March, 2011

Consolidated Balance Sheet

		As at 31 December		As at 1 January
	Note	2010 RMB'000	2009 RMB'000	2009 RMB'000
Non-current assets				
Machinery and tools	5	813	3,230	5,690
Investment properties	6	5,432,500	5,082,000	5,043,500
Deferred assets	8	42,269	37,420	35,386
Goodwill	9	160,324	160,324	160,324
		<u>5,635,906</u>	<u>5,282,974</u>	<u>5,244,900</u>
Current assets				
Tax recoverable		2,226	1,453	1,354
Prepayments, deposits and other receivables	10	7,206	5,457	5,696
Cash and cash equivalents	11	378,955	361,265	350,481
		<u>388,387</u>	<u>368,175</u>	<u>357,531</u>
Total assets		<u>6,024,293</u>	<u>5,651,149</u>	<u>5,602,431</u>
Current liabilities				
Rental deposits, current portion	13	34,828	79,523	35,686
Receipts in advance	13	9,007	5,799	10,403
Accruals and other payables	13	49,089	46,918	51,410
Due to related companies	23	16,756	15,603	18,257
Bank borrowings, secured	14	1,774,748	—	—
		<u>1,884,428</u>	<u>147,843</u>	<u>115,756</u>
Non-current liabilities, other than net assets attributable to unitholders				
Rental deposits, non-current portion	13	83,364	26,861	65,212
Bank borrowings, secured	14	—	1,819,485	1,806,226
Deferred tax liabilities	12	75,511	70,111	67,973
		<u>158,875</u>	<u>1,916,457</u>	<u>1,939,411</u>
Total liabilities, other than net assets attributable to unitholders		<u>2,043,303</u>	<u>2,064,300</u>	<u>2,055,167</u>
Net assets attributable to unitholders	15	3,980,990	3,586,849	3,547,264
Total liabilities		<u>6,024,293</u>	<u>5,651,149</u>	<u>5,602,431</u>
Net assets		<u>—</u>	<u>—</u>	<u>—</u>
Total equity		<u>—</u>	<u>—</u>	<u>—</u>
Net current (liabilities)/assets		<u>(1,496,041)</u>	<u>220,332</u>	<u>241,775</u>

Consolidated Balance Sheet

	Note	As at 31 December	As at 1 January
		2010 RMB'000	2009 RMB'000
Total assets less current liabilities		4,139,865	5,486,675
Units in issue ('000)		1,065,973	1,065,973
Net assets attributable to unitholders per unit (RMB)		3.73	3.33

The notes on pages 115 to 140 are an integral part of these consolidated financial statements.

On behalf of the Board of Directors of the Manager

Liang Ningguang
Director

Liu Yongjie
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Revenue - rental income	16	484,655	468,978
Operating expenses	17	(191,515)	(167,248)
Fair value gain on investment properties	6	345,123	31,784
Net finance income/(cost) - excluding amounts attributable to unitholders	19	11,421	(56,466)
Profit before tax and transactions with unitholders		649,684	277,048
Income tax expenses	20	(14,049)	(11,929)
Profit after tax before transactions with unitholders		635,635	265,119
Other comprehensive income for the year		—	—
Total comprehensive income for the year before transactions with unitholders		635,635	265,119
Change in net assets attributable to unitholders	15	635,635	265,119

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008 and second supplemental deed on 23 July 2010 (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 statement of comprehensive income. 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 statement of comprehensive income. Distributable income is determined in the Distribution Statement on page 113.
- (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 21.

The notes on pages 115 to 140 are an integral part of these consolidated financial statements.

Distribution Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Profit after tax before transactions with unitholders		635,635	265,119
Adjustments for the total distributable income (i)			
– Fair value gain on investment properties		(345,123)	(31,784)
– Deferred taxation charged/(credited) to the statement of comprehensive income		541	(3,078)
– Amortisation charges on investment properties under China Accounting Standards		(10,230)	(10,230)
– Exchange gain on bank borrowings		(60,596)	—
Total distributable income		220,227	220,027
Distributable amount at 1 January		126,017	115,264
Distribution paid during the year (ii)	15	(241,494)	(225,534)
Distributable amount at 31 December		104,750	109,757
Final distribution declared (iii)		104,750	126,017
Distribution per unit, declared (iv)		RMB0.0983	RMB0.1182

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 statement of comprehensive income for the relevant year.
- (ii) A distribution of RMB0.1178 (equivalent to HK\$0.1343) per unit and RMB0.1087 (equivalent to HK\$0.1246) per unit, totaling RMB241,494,000 (equivalent to HK\$275,980,000) (2009: RMB225,534,000, equivalent to HK\$255,940,000), was paid to unitholders on 19 May 2010 and 27 October 2010.
- (iii) For the year ended 31 December 2009, the Manager applied additional distribution from cash resources of the Group from the amortisation charges on investment properties of RMB16,938,000, representing RMB0.016 per unit, under China Accounting Standards as these amortisation charges had not been recorded under Hong Kong Financial Reporting Standards and did not affect the Group's profit.
- (iv) A final distribution for the period from 1 July 2010 to 31 December 2010 of RMB0.0983 (equivalent to HK\$0.1165) per unit, totaling RMB104,750,000 (equivalent to HK\$124,204,000) was declared by the Board of the Manager on 10 March 2011.

The notes on pages 115 to 140 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	22	306,555	295,703
Interest paid		(35,689)	(44,788)
China enterprise income tax paid		(8,678)	(9,830)
		<u>262,188</u>	<u>241,085</u>
Net cash generated from operating activities		<u>262,188</u>	<u>241,085</u>
Cash flows from investing activities			
Additions of investment properties		(5,377)	(6,716)
Interest received		2,373	1,949
		<u>(3,004)</u>	<u>(4,767)</u>
Net cash used in from investing activities		<u>(3,004)</u>	<u>(4,767)</u>
Cash flows from financing activities			
Distribution paid		(241,494)	(225,534)
		<u>(241,494)</u>	<u>(225,534)</u>
Net cash used in financing activities		<u>(241,494)</u>	<u>(225,534)</u>
Net increase in cash and cash equivalents		17,690	10,784
Cash and cash equivalents at beginning of the year		361,265	350,481
		<u>361,265</u>	<u>350,481</u>
Cash and cash equivalents at end of the year	11	<u>378,955</u>	<u>361,265</u>

The notes on pages 115 to 140 are an integral part of these consolidated financial statements.

Notes to the Consolidated 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 (as amended by First Supplemental Deed dated 25 March 2008 and Second Supplemental Deed dated 23 July 2010) 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 consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Manager on 10 March 2011.

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 investment properties, which are carried at fair value.

During the year ended 31 December 2010, the Group has changed its presentation currency of its consolidated financial statements from Hong Kong dollar (“HKD”) to RMB. The Board considers the change will result in a more appropriate presentation of the Group’s operations and transactions in the consolidated financial statements. The comparative figures in this consolidated financial information have been arrived at using the closing rates for balance sheet items and average rates for the year under audit for the statement of comprehensive income items. As a result, the comparative figures have been restated and there is no significant impact on the financial position as at 1 January 2009, 31 December 2009 and 2010 and results and cash flows of the Group for the years ended 31 December 2009 and 2010.

At 31 December 2010, the Group’s current liabilities exceed its current assets by RMB1,496,041,000 (31 December 2009 and 1 January 2009: Net current assets of RMB220,332,000 and RMB241,775,000 respectively) mainly as the bank borrowings of RMB1,774,748,000 fall due within twelve months of the balance sheet date. The Manager believes that the Group will continue as a going concern and consequently prepared the consolidated financial statements on a going concern basis. This basis assumes that the Group is able to refinance the bank borrowings before or upon the due date.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(a) Basis of preparation** (continued)**(i) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group**

HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedge items
HKFRS 1 (Revised)	First-time adoption of HKFRSs
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction
HKFRS 3 (Revised)	Business combination
HK(IFRIC)-Int 17	Distribution of non-cash assets to owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HK- Int 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The adoption of these amendments and interpretations did not result in a significant impact on the result and financial position of the Group.

(ii) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted by the Group

HKAS 32 (Amendments)	Classification of right issues ¹
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments ²
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first time adopters ²
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets ⁴
HKAS 24 (Revised)	Related party disclosures ⁴
HK(IFRIC)-Int 14	Prepayment of a minimum funding requirement ³
HKFRS 9	Financial instruments ⁵

¹ effective for annual periods beginning on or after 1 February 2010

² effective for annual periods beginning on or after 1 July 2010

³ effective for annual periods beginning on or after 1 January 2011

⁴ effective for annual periods beginning on or after 1 January 2012

⁵ effective for annual periods beginning on or after 1 January 2013

The directors of the Manager anticipate that the adoption of these standards, amendments to standards and interpretations would not result in a significant impact on the results and financial position of the Group. The Group plans to adopt these new standards, amendments to standards and interpretations when they become effective.

In addition, Hong Kong Institute of Certified Public Accountants (“HKICPA”) also published a number of amendments for the existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

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

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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

(d) Foreign currency translation**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within "operating expenses".

*Notes to the Consolidated Financial Statements***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**(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 statement of comprehensive income 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
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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) Investment properties

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. 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 the 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. Changes in fair values are recorded in the statement of comprehensive income.

(g) 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. 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.

*Notes to the Consolidated Financial Statements***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**(h) Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill or intangible assets 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.

(i) 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 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 statement of comprehensive income.

(j) 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.

(k) Cash and cash equivalents

In the consolidated statement of cashflows, 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. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

*Notes to the Consolidated Financial Statements***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**(l) 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.

(m) 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 statement of comprehensive income over the period of the borrowings using the effective interest method.

(n) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 substantively 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(o) 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. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

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.

(p) 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 statement of comprehensive income. Consequently, GZI REIT has recognised distributions as finance costs in the statement of comprehensive income.

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 RMB. The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents, short-term bank deposits, other payables and bank borrowings denominated in primarily in HKD and United States dollar ("USD").

At 31 December 2010 and 2009, if RMB had weakened/strengthened by 1 % against HKD and USD with all other variables held constant, post-tax profit for the year ended 31 December 2010 would have been approximately RMB16,544,000 (2009: RMB17,169,000) lower/higher as a result of foreign exchange losses/gains on translation of HKD and USD denominated cash and cash equivalents, short-term bank deposits, other payables and bank borrowings.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (continued)**(a) Financial risk factors** (continued)**(a) Market risk** (continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rate. 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.

The Group did not enter any swaps for its floating-rate borrowing as at 31 December 2010 and 2009. At 31 December 2010 and 2009, 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 RMB18,186,000(2009: RMB18,505,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(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.

	As at 31 December		As at
	2010	2009	1 January
Counterparty	RMB'000	RMB'000	2009
Shenzhen Development Bank	246,456	207,291	211,063
Hongkong and Shanghai Banking Corporation Limited	132,499	153,974	139,418
	<u>378,955</u>	<u>361,265</u>	<u>350,481</u>

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (continued)**(a) Financial risk factors** (continued)**(c) Liquidity risk** (continued)

Prudent liquidity risk management implies 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 RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2010					
Rental deposits	34,828	26,005	59,127	2,574	122,534
Accruals and other payables	49,089	—	—	—	49,089
Amounts due to related companies	16,756	—	—	—	16,756
Bank borrowings, secured	1,787,730	—	—	—	1,787,730
Interest payables	30,702	—	—	—	30,702
As at 31 December 2009					
Rental deposits	79,523	28,089	—	—	107,612
Accruals and other payables	46,918	—	—	—	46,918
Amounts due to related companies	15,603	—	—	—	15,603
Bank borrowings, secured	—	1,849,050	—	—	1,849,050
Interest payables	36,796	31,755	—	—	68,551
As at 1 January 2009					
Rental deposits	35,686	70,799	—	—	106,485
Accruals and other payables	51,410	—	—	—	51,410
Amounts due to related companies	18,257	—	—	—	18,257
Bank borrowings, secured	—	—	1,851,900	—	1,851,900
Interest payables	70,190	70,190	60,575	—	200,955

(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.

Notes to the Consolidated Financial Statements

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 2010, the Group's strategy, which was unchanged from 1 January 2009, was to maintain a gearing ratio not exceeding 45%. The gearing ratios at 31 December 2010 and 2009, and 1 January 2009 were as follows:

	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	RMB'000	RMB'000
Total borrowings (Note 14)	1,774,748	1,819,485	1,806,226
Total asset value	6,024,293	5,651,149	5,602,431
Gearing ratio	29%	32%	32%

There is no significant change in gearing ratio during the year.

Notes to the Consolidated Financial Statements

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:

- (i) 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;
- (ii) 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
- (iii) 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(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Notes to the Consolidated Financial Statements

5 MACHINERY AND TOOLS

	RMB'000
At 31 December 2010	
Cost	12,203
Accumulated depreciation	(11,390)
	<u>813</u>
Net book amount	<u>813</u>
For the year ended 31 December 2010	
Opening net book amount	3,230
Depreciation	(2,417)
	<u>813</u>
Closing net book amount	<u>813</u>
At 31 December 2009	
Cost	12,203
Accumulated depreciation	(8,973)
	<u>3,230</u>
Net book amount	<u>3,230</u>
For the year ended 31 December 2009	
Opening net book amount	5,690
Disposal	(22)
Depreciation	(2,438)
	<u>3,230</u>
Closing net book amount	<u>3,230</u>
At 1 January 2009	
Cost	12,225
Accumulated depreciation	(6,535)
	<u>5,690</u>
Net book amount	<u>5,690</u>

Notes to the Consolidated Financial Statements

6 INVESTMENT PROPERTIES

	2010	2009
	RMB'000	RMB'000
At 1 January	5,082,000	5,043,500
Additions	5,377	6,716
Fair value gain	345,123	31,784
	<hr/>	<hr/>
At 31 December	<u>5,432,500</u>	<u>5,082,000</u>

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 2010 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 statement of comprehensive income, direct operating expenses relating to investment properties amounted to RMB78,526,000 (2009: RMB68,367,000). Included in the direct operating expenses, RMB326,559 (2009: RMB291,376) was relating to investment properties that were vacant.

As at 31 December 2010, certain investment properties were pledged as collateral for the Group's bank borrowings (Note 14).

Notes to the Consolidated Financial Statements

7 SUBSIDIARIES

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued share capital / registered 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 HKD1 each	100%
Partat Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Moon King Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Full Estates Investment Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Keen Ocean Limited	British Virgin Islands, limited liability company	Leasing of commercial properties in China	1 ordinary share of USD1 each	100%
Metrogold Development Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of USD1 each	100%
Guangzhou Jieyacheng Properties Company Limited	China, limited liability company	Leasing of commercial properties in China	Registered capital of RMB92 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. The deferred assets are denominated in RMB.

Notes to the Consolidated Financial Statements

9 GOODWILL

	RMB'000
At 31 December 2010	
Cost	160,324
Accumulated impairment	—
	<u>160,324</u>
At 1 January 2010 and 31 December 2010	
Net book amount	<u>160,324</u>
At 31 December 2009	
Cost	160,324
Accumulated impairment	—
	<u>160,324</u>
At 1 January 2009 and 31 December 2009	
Net book amount	<u>160,324</u>

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 five-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 in the cash flow projections are as follows:

	As at 31 December	As at 1 January	
	2010	2009	2009
Growth rate per annum	3%	3%	2%
Discount rate per annum	7.4%	7.3%	6.4%

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.

Notes to the Consolidated Financial Statements

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 RMB.

11 CASH AND CASH EQUIVALENTS

As at 31 December 2010, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB215,580,000 (31 December 2009: RMB207,237,000 and 1 January 2009: RMB183,867,000) denominated in RMB, 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.

	As at 31 December		As at 1 January
	2010 RMB'000	2009 RMB'000	2009 RMB'000
Cash at bank	296,021	288,094	253,327
Short-term bank deposits	82,934	73,171	97,154
	<u>378,955</u>	<u>361,265</u>	<u>350,481</u>

The effective interest rate on short-term bank deposits was 0.04% (31 December 2009: 0.04% and 1 January 2009: 1.75%) per annum; these deposits have an average maturity of 7 days (31 December and 1 January 2009: 7 days).

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December		As at 1 January
	2010 RMB'000	2009 RMB'000	2009 RMB'000
HKD	116,455	105,498	118,020
RMB	215,580	207,237	183,867
USD	46,920	48,530	48,594
	<u>378,955</u>	<u>361,265</u>	<u>350,481</u>

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(b). The existing counterparties do not have defaults in the past.

Notes to the Consolidated Financial Statements

12 DEFERRED TAX LIABILITIES

	As at 31 December		As at
	2010 RMB'000	2009 RMB'000	1 January 2009 RMB'000
Deferred tax liabilities:			
- Deferred tax liabilities to be recovered after more than 12 months	<u>75,511</u>	<u>70,111</u>	<u>67,973</u>

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

	Fair value gains RMB'000	Others RMB'000	Withholding tax in respect of unremitted earnings of a subsidiary RMB'000	Total RMB'000
At 1 January 2010	57,140	9,096	3,875	70,111
Charged to the statement of comprehensive income (Note 20)	<u>541</u>	<u>2,328</u>	<u>2,531</u>	<u>5,400</u>
At 31 December 2010	<u>57,681</u>	<u>11,424</u>	<u>6,406</u>	<u>75,511</u>

	Fair value gains RMB'000	Others RMB'000	Withholding tax in respect of unremitted earnings of a subsidiary RMB'000	Total RMB'000
At 1 January 2009	60,218	6,514	1,241	67,973
(Credited)/charged to the statement of comprehensive income (Note 20)	<u>(3,078)</u>	<u>2,582</u>	<u>2,634</u>	<u>2,138</u>
At 31 December 2009	<u>57,140</u>	<u>9,096</u>	<u>3,875</u>	<u>70,111</u>

There is no material unprovided deferred taxation as at 31 December 2010.

Notes to the Consolidated Financial Statements

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

	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	RMB'000	RMB'000
Rental Deposits			
Current portion	34,828	79,523	35,686
Non-current portion	83,364	26,861	65,212
	<u>118,192</u>	<u>106,384</u>	<u>100,898</u>
Receipts in advance	<u>9,007</u>	<u>5,799</u>	<u>10,403</u>
Provision for withholding tax payable	8,102	7,404	7,617
Provision for business tax, flood prevention, city development tax and education fee	5,611	4,695	4,633
Construction fee payable	4,810	6,606	7,635
Accruals for operating expenses	<u>30,566</u>	<u>28,213</u>	<u>31,525</u>
Accruals and other payables	<u>49,089</u>	<u>46,918</u>	<u>51,410</u>
	<u>176,288</u>	<u>159,101</u>	<u>162,711</u>

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 RMB.

Notes to the Consolidated Financial Statements

14 BANK BORROWINGS, SECURED

	As at 31 December		As at
	2010	2009	1 January
	RMB'000	RMB'000	2009
			RMB'000
Current	<u>1,774,748</u>	<u>—</u>	<u>—</u>
Non-current	<u>—</u>	<u>1,819,485</u>	<u>1,806,226</u>

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. Since the loan will be matured in November 2011, it has been classified as a current liability as at 31 December 2010.

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 RMB4,761,013,000
- 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:

	As at 31 December		As at
	2010	2009	1 January
	RMB'000	RMB'000	2009
			RMB'000
Within 1 year	<u>1,774,748</u>	<u>—</u>	<u>—</u>
Between 2 and 5 years	<u>—</u>	<u>1,819,485</u>	<u>1,806,226</u>

The effective interest rate of the bank borrowings at the balance sheet date was 1.99% (31 December 2009: 1.90% and 1 January 2009: 3.79%) per annum.

The carrying amounts of the borrowings approximate their fair values.

The Group has no undrawn borrowing facilities as at 31 December 2010 (31 December 2009 and 1 January 2009: Nil).

Notes to the Consolidated Financial Statements

15 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2010	2009
	RMB'000	RMB'000
At 1 January	3,586,849	3,547,264
Transfer from the statement of comprehensive income	635,635	265,119
Distribution paid during the year	(241,494)	(225,534)
	<hr/>	<hr/>
At 31 December	3,980,990	3,586,849
	<hr/> <hr/>	<hr/> <hr/>

16 REVENUE AND SEGMENT INFORMATION

Turnover consists of rental income. Revenue recognised during the year represents rental income from customers. Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. Given that management review the operating results of the Group in an aggregate basis, no segment information is therefore presented.

All the revenue of the Group is from external customers except for those rental income received from the related parties, which was disclosed in Note 23.

The Group's revenue from external customers is derived solely from its operation in China and the non-current assets of the Group are also located in China. During the year, no revenue from transactions with a single external customers amounted to 10% or more of the Group's total revenue.

17 EXPENSES BY NATURE

	2010	2009
	RMB'000	RMB'000
Property management fee (i)	16,669	15,959
Urban real estate tax	57,380	48,856
Business tax, flood prevention, city development and education fee	24,804	23,634
Withholding tax (ii)	43,554	41,895
Depreciation of property, plant and equipment	2,417	2,438
Asset management fee	29,449	28,375
Trustee's remuneration	1,807	1,696
Valuation fee	218	229
Legal and professional fee (iii)	8,968	474
Auditor's remuneration	1,645	1,586
Bank charges	558	550
Others	4,046	1,556
	<hr/>	<hr/>
Total operating expenses	191,515	167,248
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (i) The Group received leasing, marketing and tenancy management services from two leasing agents in Guangzhou, namely, Guangzhou Yicheng Property Management Limited and White Horse Property Management Company (Note 23).
- (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%.
- (iii) Legal and professional fee includes the professional fee for normal business legal consultation and the professional fees incurred for a potential acquisition during the year.

Notes to the Consolidated Financial Statements

18 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.

19 NET FINANCE INCOME/(COST) – EXCLUDING AMOUNTS ATTRIBUTABLE TO UNITHOLDERS

	2010	2009
	RMB'000	RMB'000
Interest income from bank deposits	2,373	1,949
Foreign exchange gain on bank borrowings	60,596	2,488
Interest expense for bank borrowings	(35,689)	(44,788)
Amortisation of transaction costs for bank borrowings	(15,859)	(16,115)
	<hr/>	<hr/>
Net finance income/(cost)	11,421	(56,466)
	<hr/> <hr/>	<hr/> <hr/>

20 INCOME TAX EXPENSES

Since one of the subsidiaries of the Group, Guangzhou Jieyacheng is a sino-foreign co-operative joint venture in China, it is subject to corporate income tax at a rate of 25% under Corporate Income Tax 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 17(ii).

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

	2010	2009
	RMB'000	RMB'000
Current income tax		
– China corporate income tax	8,437	8,641
– Under provision in prior years	212	1,150
Deferred income tax (Note 12)	5,400	2,138
	<hr/>	<hr/>
	14,049	11,929
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

20 INCOME TAX EXPENSES (continued)

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:

	2010	2009
	RMB'000	RMB'000
Profit before tax and transactions with unitholders	649,684	277,048
Tax calculated at domestic tax rate of 25%	162,421	69,262
Income not subject to profit tax	(152,794)	(64,197)
Expenses not deductible for tax purposes	1,679	3,122
Under provision in prior years	212	1,150
Withholding tax on unremitted earnings of a subsidiary	2,531	2,592
	14,049	11,929

The weighted average applicable tax rate was 25% (2009: 25%).

21 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 2010 is RMB0.60 (2009: RMB0.25). The calculation of earnings per unit is based on profit after tax before transactions with unitholders of approximately RMB635,635,000 (2009: RMB265,119,000) and on average units in issue of 1,065,973,000 units (2009: 1,065,973,000 units) during the year.

Diluted earnings per unit is not presented as there is no dilutive instrument for the years ended 31 December 2010 and 2009.

Notes to the Consolidated Financial Statements

22 NOTE TO THE CASH FLOW STATEMENT

	2010 RMB'000	2009 RMB'000
Profit before taxation and transactions with unitholders	649,684	277,048
Adjustments for:		
– Depreciation expenses	2,417	2,438
– Loss on disposal of machinery and tools	—	22
– Amortisation of transaction costs for bank borrowings	15,859	16,115
– Exchange gain on bank borrowings	(60,596)	(2,488)
– Fair value gain on investment properties	(345,123)	(31,784)
– Interest income	(2,373)	(1,949)
– Interest expenses	35,689	44,788
Changes in working capital:		
– Increase in deferred assets	(4,849)	(2,034)
– (Increase)/decrease in prepayments, deposits and other receivables	(1,749)	239
– Increase in rental deposits	11,808	5,486
– Increase/(decrease) in receipts in advance	3,208	(4,604)
– Increase/(decrease) in accruals and other payables	1,427	(4,920)
– Increase/(decrease) in amounts with related companies	1,153	(2,654)
Cash generated from operations	<u>306,555</u>	<u>295,703</u>

*Notes to the Consolidated Financial Statements***23 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

As at 31 December 2010, the Group was significantly influenced by Yuexiu Property 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 2010:

Connected party	Relationship with GZI REIT
Yuexiu Property Company Limited ("YXP") ¹	A major unitholder of GZI REIT
GZI REIT Asset Management Limited (the "Manager") ¹	A subsidiary of YXP
Guangzhou Yicheng Property Management Limited ("Yicheng") ¹	A subsidiary of YXP
Guangzhou White Horse Clothing Market Ltd. ("White Horse JV") ¹	A subsidiary of YXP
White Horse Property Management Company ("White Horse PM") ¹	A subsidiary of YXP
Guangzhou Xingye Real Estate Agent Co., Ltd. ("Xingye") ¹	A subsidiary of YXP
Guangzhou City Construction and Development Hongcheng Car Park Properties Management Co., Ltd. ("Hongcheng") ¹	A subsidiary of YXP
Guangzhou City Construction and Development Co. Ltd. ("GCCD") ¹	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ¹	A major shareholder of YXP
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The trustee of GZI REIT
Vigers Appraisal & Consulting (the "Valuer")	The principal valuer of GZI REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Related parties of the Trustee

¹ 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.

Notes to the Consolidated Financial Statements

23 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

	2010 RMB'000	2009 RMB'000
Asset management fee paid/payable to the Manager (ii)	(29,449)	(28,375)
Management fee paid/payable to Yicheng	(8,384)	(7,960)
Management fee paid/payable to White Horse PM	(8,285)	(7,999)
Rental income received/receivable from Xingye	982	978
Rental income received/receivable from YXP	1,209	1,209
Rental income received/receivable from Yue Xiu	53	53
Rental income received/receivable from Yicheng	5	6
Rental income received/receivable from Hongcheng	—	580
Rental income received/receivable from GCCD	603	79
Rental income received/receivable from White Horse JV	1,178	495
Trustee fee paid/payable to the Trustee	(1,807)	(1,696)
Valuation fee paid/payable to the Valuer	(218)	(229)
Transactions with the HSBC Group		
– Interest expense paid/payable to the HSBC Group	(7,609)	(8,993)
– Annual arrangement fees on borrowings paid to the HSBC Group	(446)	(454)
– Rental income received/receivable from the HSBC Group	11,445	11,445
– Interest income from the HSBC Group	38	56
	<u>38</u>	<u>56</u>

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.

Notes to the Consolidated Financial Statements

23 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(b) Balances with related parties**

	As at 31 December		As at 1 January
	2010 RMB'000	2009 RMB'000	2009 RMB'000
Balance with Yicheng			
Amount due to Yicheng	(720)	(690)	(752)
Balance with White Horse PM			
Amount due to White Horse PM	(702)	(658)	(657)
Balance with the Manager			
Amount due to the Manager	<u>(15,334)</u>	<u>(14,255)</u>	<u>(16,848)</u>

All balances with related parties are unsecured, interest-free, repayable on demand and approximate to their fair values. All the balances are denominated in RMB, except for the balance with the Manager which is denominated in HKD.

(c) Key management compensation

There was no key management compensation for the year ended 31 December 2010 (2009: Nil).

24 CAPITAL COMMITMENTS

	2010 RMB'000	2009 RMB'000
Capital commitments in respect of investment properties, contracted but not provided for	<u>1,639</u>	<u>3,589</u>

25 FUTURE MINIMUM RENTAL RECEIVABLE

At 31 December 2010, the Group had future minimum rental receivable under non-cancellable leases as follows:

	2010 RMB'000	2009 RMB'000
Not later than one year	476,321	327,602
Later than one year and not later than five years	912,250	232,364
Later than five years	2,872	22,129
	<u>1,391,443</u>	<u>582,095</u>

Performance Table

As at 31 December 2010

	2010	2009	2008
Net assets attributable to unitholders (RMB)	3,980,990,000	3,586,849,000	3,547,264,000
Net asset attributable to unitholders per unit (RMB) (Equivalent to HK\$)	3.73 4.38	3.36 3.82	3.33 3.77
The highest premium of the traded price to net asset value (HK\$)	N/A⁽ⁱ⁾	N/A	N/A
The highest discount of the traded price to net asset value (HK\$)	1.44⁽ⁱ⁾	2.19	2.54
Net yield per unit	15.85%⁽ⁱⁱ⁾	9.58%	12.21%
Number of units in issue (units)	1,065,972,687	1,065,972,687	1,065,972,687

Notes:

- (i) The highest premium is calculated based on the highest traded price of HK\$4.35 (2009: HK\$3.06) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2010. The highest discount is calculated based on the lowest traded price of HK\$2.94 (2009: HK\$1.63) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2010.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with unitholders per unit for the year ended 31 December 2010 over the traded price of HK\$4.34 (2009: HK\$2.94) as at 31 December 2010.

Corporate and Investor Relations Information

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

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

Corporate and Investor Relations Information

PRINCIPAL VALUER

Vigers Appraisal and Consulting Limited

HONG KONG LEGAL ADVISER

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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Wanchai, Hong Kong

UNIT REGISTRAR AND TRANSFER OFFICE

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

Corporate and Investor Relations Information

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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