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

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock code: 405)

Managed by

越秀房託資產管理有限公司
GZI REIT Asset Management Limited

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors ("Board") of GZI REIT Asset Management Limited ("Manager") is pleased to announce the audited consolidated results of GZI Real Estate Investment Trust ("GZI REIT') and its subsidiaries for the year ended 31 December 2010 ("Reporting Year") together with comparative figures for the corresponding period in 2009 are as follows:

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(RMB)	**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.

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.

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	0.2411	0.2518	0.246	0.2258	0.2067

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 dividends.

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.

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 31 December 2010 *RMB million*	31 December 2009 *RMB million*	Increase %
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	5,432.5	5,082.0	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.

Particulars of the Properties:

Property	Type	Location	Year of Completion	Area of Ownership *(Sq.m.)*	Total Rental Area *(Sq.m.)*	Property Occupancy Rate (2)	# of Lease Contract (2)	Appraised Value (2) *(RMB million)*
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 Yue Xiu 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 as at 31 December 2010	Occupancy Rate as at 31 December 2009	Percentage Increase/ Decrease (-) Compared to 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%

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	Revenue in 2009	Increase/ (Decrease) Compared to 2009	Increase/ (Decrease) of Revenue from Property
	RMB million	*RMB million*	*RMB million*	%
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 a 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. 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 the 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.

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 *RMB'000*	2009 *RMB'000*	% of Increase/ (Decrease)
Gross income	484,655	468,978	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)	(5,188)	(4,458)	16.38%
Total property operating expenses	(105,465)	(93,684)	12.58%
Net property income	379,190	375,294	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)	(11,240)	(1,598)	603.38%
Total non-property expenses	(86,050)	(73,564)	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	9,048	(58,415)	(115.49)%
Net profit before tax	304,561	245,264	24.18%
Income tax expenses	(14,049)	(11,929)	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	345,123	31,784	985.84%
Net profit after tax before transactions with Unitholders	635,635	265,119	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.

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 is 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.

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"), is 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 alloting 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 of corporate governance.

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

CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the final distribution will be 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 before 18 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.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000	As at 1 January 2009 RMB'000
Non-current assets				
Machinery and tools		813	3,230	5,690
Investment properties		5,432,500	5,082,000	5,043,500
Deferred assets		42,269	37,420	35,386
Goodwill		160,324	160,324	160,324
		5,635,906	5,282,974	5,244,900
Current assets				
Tax recoverable		2,226	1,453	1,354
Prepayments, deposits and other receivables	5	7,206	5,457	5,696
Cash and cash equivalents		378,955	361,265	350,481
		388,387	368,175	357,531
Total assets		6,024,293	5,651,149	5,602,431
Current liabilities				
Rental deposits, current portion	6	34,828	79,523	35,686
Receipts in advance	6	9,007	5,799	10,403
Accruals and other payables	6	49,089	46,918	51,410
Due to related companies		16,756	15,603	18,257
Bank borrowings, secured		1,774,748	—	—
		1,884,428	147,843	115,756

	Note	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000	As at 1 January 2009 RMB'000
Non-current liabilities, other than net assets attributable to unitholders				
Rental deposits, non-current portion	6	83,364	26,861	65,212
Bank borrowings, secured		—	1,819,485	1,806,226
Deferred tax liabilities		75,511	70,111	67,973
		158,875	1,916,457	1,939,411
Total liabilities, other than net assets attributable to unitholders		2,043,303	2,064,300	2,055,167
Net assets attributable to unitholders	7	3,980,990	3,586,849	3,547,264
Total liabilities		6,024,293	5,651,149	5,602,431
Net assets		—	—	—
Total equity		—	—	—
Net current (liabilities)/assets		(1,496,041)	220,332	241,775
Total assets less current liabilities		4,139,865	5,503,306	5,486,675
Units in issue ('000)		1,065,973	1,065,973	1,065,973
Net assets attributable to unitholders per unit (RMB)		3.73	3.36	3.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	**2010** *RMB'000*	**2009** *RMB'000*
Revenue - rental income		484,655	468,978
Operating expenses	8	(191,515)	(167,248)
Fair value gain on investment properties		345,123	31,784
Net finance income / (costs) - excluding amounts attributable to unitholders	9	11,421	(56,466)
Profit before tax and transactions with unitholders		649,684	277,048
Income tax expenses	10	(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	7	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.

(ii) Earnings per unit, based upon profit after tax before transactions with unitholders and the average number of units in issue, is presented in Note 11.

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	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 Standard	(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)	(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 does 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, totalling RMB104,750,000 (equivalent to HK$124,204,000) was declared by the Board of the Manager on 10 March 2011.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

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

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 the 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 financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These 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.

3 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 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 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 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.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

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.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted. 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.

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 [3]
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

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.

4 **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 board of directors of the Manager that makes strategic decisions.

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 aggregation basis, no segment information is therefore presented.

5 **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.

6 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
	118,192	106,384	100,898
Receipts in advance	9,007	5,799	10,403
Provision for withholding tax payable	8,102	7,404	7,617
Provision for business tax, flood prevention, city development and education fee	5,611	4,695	4,633
Construction fee payable	4,810	6,606	7,635
Accruals for operating expenses	30,566	28,213	31,525
Accruals and other payables	49,089	46,918	51,410
	176,288	159,101	162,711

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.

7 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)
At 31 December	3,980,990	3,586,849

8 Expenses by nature

	2010 *RMB'000*	2009 *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
Total operating expenses	191,515	167,248

Notes:

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

(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.

9 Net finance income/(cost) — excluding amounts attributable to unitholders

	2010 *RMB'000*	2009 *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)
Net finance income/(cost)	11,421	(56,466)

10 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.

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

	2010 *RMB'000*	2009 *RMB'000*
Current income tax		
- China corporate income tax	8,437	8,641
- Under provision in prior years	212	1,150
Deferred income tax	5,400	2,138
	14,049	11,929

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 *RMB'000*	2009 *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%).

11 Earnings per unit based upon profit after tax before transactions with unitholders

Earnings per unit based upon profit after tax before transactions with unitholders for the year ended 31 December 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.

12 Capital commitments

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

13 **Future minimum rental receivable**

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

	2010	**2009**
	RMB'000	*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
	1,391,443	582,095

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

Hong Kong, 10 March 2011

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

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