



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

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

(Stock Code: 405)

Managed by
GZI REIT ASSET MANAGEMENT LIMITED

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

GZI Real Estate Investment Trust (“GZI REIT”) is a Hong Kong real estate investment trust constituted by a trust deed entered into on 7 December 2005 (“Trust Deed”) between HSBC Institutional Trust Services (Asia) Limited as the trustee (“Trustee”) and GZI REIT Asset Management Limited as the manager (“Manager”). GZI REIT was listed on The Stock Exchange of Hong Kong Limited on 21 December 2005 (“Listing Date”).

GZI REIT’s property portfolio (“Properties”) consists of four 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 the People’s Republic of China (“PRC”).

The Manager is pleased to announce the audited consolidated results of GZI REIT and its subsidiaries for the year ended 31 December 2007 (“Reporting Year”) together with comparative figures for the corresponding period in 2006 as follows:

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2007

UNITHOLDERS’ ENTITLEMENTS AND ASSETS ATTRIBUTABLE TO UNITHOLDERS

Unit	Financial Year ended 31 December 2007	Financial Year ended 31 December 2006
Distributions per Unit	HK\$0.2258	HK\$0.2067
Earnings per Unit	HK\$0.3643	HK\$0.2444
Distributions yield per Unit based on offer price of HK\$3.075	7.34%	6.72%
Distributions yield per Unit based on closing price at year end date	7.33%	6.73%
Net assets attributable to Unitholders per Unit	HK\$3.535	HK\$3.200
Net tangible assets attributable to Unitholders per Unit	HK\$3.365	HK\$3.041

PERFORMANCE SUMMARY	Financial Year ended 31 December 2007	Financial Year ended 31 December 2006
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Steady Income

Net profit after tax	HK\$364.283 million	HK\$244.436 million
Net property income	HK\$352.924 million	HK\$324.439 million
Gross income	HK\$402.012 million	HK\$369.475 million

Stable Returns

Offer price per Unit at Listing Date	HK\$3.075	HK\$3.075
Closing price per Unit at year end date	HK\$3.080	HK\$3.070
Distributions yield per Unit based on offer price	7.34%	6.72%
Distributions yield per Unit based on closing price at year end date	7.33%	6.73%
Units in issue	1,000,000,000 units	1,000,000,000 units

Income Producing Asset Base

Total assets	HK\$5,192 million	HK\$4,677 million
Total liabilities, excluding net assets attributable to Unitholders	HK\$1,657 million	HK\$1,477 million
Net assets attributable to Unitholders	HK\$3,535 million	HK\$3,200 million
Net tangible assets (net assets attributable to Unitholders minus goodwill)	HK\$3,365 million	HK\$3,041 million

PERFORMANCE SUMMARY	Financial Year ended 31 December 2007	Financial Year ended 31 December 2006
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Low Volatility

Highest premium of traded price to net assets attributable to Unitholders per Unit	N/A	HK\$0.500
Highest discount of traded price to net assets attributable to Unitholders per Unit	HK\$0.695	HK\$0.350

Flexibility in Capital Management

Total borrowings as a percentage of gross assets (Note a)	25%	27%
Gross liabilities as a percentage of gross asset (Note b)	32%	32%

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

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

2007 BUSINESS REVIEW AND FUTURE PROSPECTS

OPERATION REVIEW

2007 was a year of steady development for GZI REIT. Its tenant structure was further optimized, property competitiveness further strengthened, and business operating efficiency further improved, laying a solid foundation for its business growth. In 2007, through the Manager's effective assets management and careful selection of acquired properties, net assets per unit of GZI REIT steadily increased, leading to a steady increase in investment return to Unitholders.

GZI REIT is the first listed investment trust in the world investing in real property in Mainland China. Its four Properties (as defined in P. 1), include White Horse Building Units, Fortune Plaza Units, City Development Plaza Units and Victory Plaza Units, are all located in Guangzhou City, Guangdong Province of China, with a total gross floor area of approximately 160,651 square meters and a total gross rentable area of approximately 160,145 square meters.

As at 31 December 2007, the overall occupancy rate of the Properties was 97.4%, representing a slight decrease compared with that of the same period of last year, but was still in an operating state of high occupancy rate with an overall stable operation.

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

Name of Property	Occupancy	Occupancy	Percentage
	Rate as at 31 December 2007	Rate as at 31 December 2006	Increase/ Decrease(-) compared to 31 December 2006
White Horse Building Units	99.2%	99.8%	-0.6%
Fortune Plaza Units	98.8%	99.5%	-0.7%
City Development Plaza Units	97.3%	96.0%	1.3%
Victory Plaza Units	92.4%	100.0%	-7.6%
Total	97.4%	98.8%	-1.4%

Adhering to the policy of optimizing its tenants mix and through active tenant relationship management, in 2007, GZI REIT achieved a high lease renewal rate of its properties portfolio at approximately 70%, hence effectively reducing rental loss due to vacancies and expenses for entering into new leases.

In 2007, the total operating income was HK402,012,000, representing an increase of approximately 8.8%, of which 66.5%, 12.9%, 11.2% and 9.4% were generated respectively from White Horse Building Units, Fortune Plaza Units, City Development Plaza Units and Victory Plaza Units.

No bad debt was recorded during the Reporting Year.

The following table presents the performance of operating income generated from the Properties during the Reporting Year:

Name of Property	Operating Income (HK\$ million)	Operating Income from a Specific Property as a Percentage of Total Operating Income
White Horse Building Units	267.362	66.5%
Fortune Plaza Units	51.642	12.9%
City Development Plaza Units	45.061	11.2%
Victory Plaza Units	<u>37.947</u>	<u>9.4%</u>
Total	<u><u>402.012</u></u>	<u><u>100.0%</u></u>

Optimizing tenants mix to consolidate the operating basis and competitive strength of the properties

Optimizing tenants mix is an important operating strategy of GZI REIT.

In 2007, we initiated a series of measures with planning to improve tenants mix and increase assets value according to the specific circumstances of each property.

White Horse Building Units: Through participating in various forms of exchange within the industry, we introduced more target tenants who were in line with the positioning of the project. Of these, the percentage of tenants from garment production and sales concentration areas, such as Fujian, Zhejiang and Hong Kong, Macau and Taiwan accounted for a proportion which has increased six percent as compared with last year, enhancing the property's overall competitiveness. Due to a solid tenant base, coupled with brand promotion and effective operating management strategies implemented by the Manager, the operation of the mall was gaining momentum. At the end of 2007, we made appropriate upward adjustment to the overall rent level of 2008 based on the actual operating conditions of the mall in accordance with the terms on upward adjustment as set out in the existing leases.

Fortune Plaza Units: Through adjustment to the layout of the units, we secured important tenants such as DBS Bank, HSBC, Kuehne & Nagel, Wallstreet English Training, Manpower Inc. to extend their leases, and successfully retained certain quality tenants, thereby further consolidating the tenant base of the building. As at 31 December 2007, area leased by foreign enterprises and Hong Kong, Macau and Taiwan enterprises accounted for up to 76%.

City Development Plaza Units: We actively optimized tenant quality, and successfully introduced Pudong Development Bank after proactive and effective negotiation, taking up a leased area of over 5,000 square meters. A portion of the leased area had been originally leased by Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye"). It is agreed in the original lease that landlord was entitled to request early termination of the lease agreement in case there were new tenants who was willing to offer higher rent while Xingye was unwilling to pay a rent at the same level. The new rent increased by approximately 38% as compared with the average rent under the original lease. Meanwhile, through tenants integration, we successfully motivated E Fund Company, one of the ten largest tenants, to expand its leased area to a whole floor. Taikang Life Company also expanded an additional leased area of over 300 square meters. Through the above optimization and adjustment, the proportion of financial type tenants in City Development Plaza increased significantly to 43% from 25% of last year. Big listed companies with leased areas of over 1,000 square meters accounted for approximately 88%. In improving the quality of tenants, both rental income and rental quality achieved growth at the same time.

Victory Plaza Units: Through supporting GOME Electric Appliance, a main tenant, to expand its leased area and using the opportunity when the overall tenant structure of the mall underwent an adjustment, we introduced a number of brand food and beverage, including "rbt" (仙蹤林) and 寶廚房, apart from the several foreign banks and brandname Chain coffee shops under negotiation. As such, tenant structure will be further optionized, and occupancy rate and rent are expected to increase significantly.

Strengthening promotion to enhance the reputation and influence of the properties

In 2007, we devoted more resources in promotion, and further strengthened brand promotion and project marketing of GZI REIT.

At the property portfolio level, we adopted corresponding promotion strategies based on different characteristics and operating requirements of professional wholesale distribution market, retail mall and Grade A office.

White Horse Building Units: With emphasis on the brand building of the White Horse Clothings Market, we held two brand activities in 2007, namely, the first of “White Horse Clothings Procurement Fair” and “the Most Favoured Brand in WhiteHorse Selection”, and carried out extensive promotion through channels including clothings industry institutions and major news media to enhance the reputation and goodwill of the White Horse clothing market in the industry. In addition, through effective use of internal resources of the building such as the catwalk in the atrium, advertisement light boxes, central broadcasting system, we performed brand promotion activities to boost shopping sentiment in the mall. Through the aforementioned measures, White Horse Building continued to enjoy its leading position under keen market competition.

Victory Plaza Units: We reshaped its image as a plaza of food, shopping and leisure by taking the opportunities affected by the improvement in surrounding operating environment as well as the window to strengthen the tenants mix when the neighboring roads resumed traffic after completion of the MTR construction works and the office towers above the plaza commenced operation. With emphasis on the planning of and adjustment to the external appearance of the mall, we realigned and optimized resources such as advertisements, exterior lighting and signages, which improved the shopping environment in the mall and enhanced the overall profile of operation.

Fortune Plaza Units and City Development Plaza Units: Through the decoration and arrangement during major festivals and holidays, we commenced various communal and cultural activities with different feature themes, held customers social activities, thereby fostered good office environment.

Future Business Plan

It is expected that in 2008 the national economy will attain further growth and consumption will remain strong, while the real estate market will develop healthily under macro economic revision measures. We believe that through active, comprehensive and highly effective management, GZI REIT will further achieve new development and provide satisfactory returns to the unitholders.

We expect that for Fortune Plaza Units and City Development Plaza Units, despite increased supply of Grade A offices in Guangzhou in 2008, these two properties can still maintain a stable tenants structure, benefiting from domestic economic development which will result in strong demand for offices from banking, insurance, information technology and service industries, and demand for expansion from foreign and domestic listed companies. Through improving service and strengthening tenants relationship management, we will strive to retain quality customers and procure their lease renewals.

For White Horse Building Units and Victory Plaza Units, in 2008, we will continue to enhance the operation and planning of the projects, to strengthen marketing and promotion and to perform indepth market research, so as to secure more target customers who are in line with our positioning and add to the overall competitiveness of these properties.

Acquiring new projects, increasing the quality and scale of the properties portfolio

Pursuant to the agreement in the Offering Circular of GZI REIT, we have a right of first refusal to acquire certain commercial properties that fall within certain specified criteria, Guangzhou Investment Company Limited (GZI) (stock code: 0123), a major Unitholder of GZI REIT, when GZI disposes of the same. We proposed to acquire 72.3% of the gross floor area of Yue Xiu's Neo Metropolis with a total area of approximately 61,969 square meters at a consideration of HK\$677,300,000. The proposal was approved by the unitholders at an Extraordinary General Meeting held on 26 February 2008. The acquisition will be completed upon satisfactory financing being obtained. For details of the acquisition please refer to the circular despatched on 4 February 2008.

Furthermore, to meet market needs, increase the investment opportunities in different regional markets, and seek for better interests for the unitholders, we proposed to and have obtained the approval from the unitholders at general meeting on 26 February 2008 to expand our geographical reach of investment from Guangdong province to China (including Mainland China and Hong Kong), so as to make our investment strategies more flexible and to enhance our market competitiveness.

Right of First Refusal of West Tower of Victoria Plaza

On 20 March 2008, GZI sent a letter to the Trustee and the Manager offering to sell the West Tower of Victory Plaza at an average price of over RMB16,000 per square meter for an area of approximately 30,772 square meters at the total price of approximately RMB492,352,000. In view that the floor plan of West Tower of Victory Plaza could not fully meet the requirement of big corporations and the investment returns of the rental income were relatively low as increase in rental lagged far behind the increase in office property prices in recent years in Guangzhou. After detail consideration of the analysis, it is decided that the project fails to bring about increase in economic effect or to comply with GZI REIT's investment objectives. As such, the independent directors of GZI REIT decided that GZI REIT will give up its Right of First Refusal for West Tower of Victory Plaza.

Property Valuation

On 31 December 2007, the Properties of GZI REIT were revalued by the independent professional valuer, Colliers International (Hong Kong) Ltd ("Colliers") with a revalued market value of HK\$4,695.5 million, with an increase of HK\$455.4 million, representing a 10.7% increase over the valuation on 31 December 2006. The net asset value per unit was HK\$3.535, representing an increase of 10.47% compared with the previous year.

2007 BUSINESS REVIEW AND FUTURE PROSPECTS

FINANCIAL REVIEW

TOTAL DISTRIBUTABLE INCOME FOR THE YEAR

The total distributable income (as defined in the Trust Deed, “Total Distributable Income”) of GZI REIT to the unitholders of GZI REIT (“Unitholders”) for the Reporting Year amounted to approximately HK\$225,867,000 (2006: HK\$206,683,000), representing distributable income per unit of GZI REIT (“Unit”) of approximately HK\$0.2258 (2006: HK\$0.2067).

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

The Manager has calculated the Total Distributable Income in respect of Reporting Year based on GZI REIT’s consolidated profit after tax before transactions with the Unitholders for the Reporting Year and has made an adjustment to eliminate the effects of changes in fair values of investment properties as they appear in the consolidated income statement of GZI REIT.

DISTRIBUTION

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

The Manager has resolved to declare a final distribution to the Unitholders for the period from 1 July 2007 to 31 December 2007 (“2007 Final Period”) of HK\$0.1151 (2006: HK\$0.1034) per Unit. This represents a 100% distribution of GZI REIT’s Total Distributable Income for the 2007 Final Period. This amount together with the Total Distributable Income of GZI REIT for the six-month period from 1 January 2007 to 30 June 2007 (“2007 Interim Period”) of HK\$0.1107 (2006: HK\$0.1033) per Unit represented distributable income per Unit of approximately HK\$0.2258 (2006: HK\$0.2067) for the Reporting Year.

The final distribution amounting to approximately HK\$115,100,000, in aggregate, will be paid on 20 May, 2008.

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

DISTRIBUTION YIELD

The Properties performed well during the Reporting Year with distribution per Unit (“DPU”) exceeding year 2006 by 9.24% at HK\$0.2258 (2006: HK\$0.2067).

Based on the closing price of the Units as at 31 December 2007 of HK\$3.080, the DPU for the Reporting Year represents a yield of 7.33%. Using the offer price as at the Listing Date of HK\$3.075 (“Offer Price”), the DPU represents a yield of 7.34% (2006: 6.72%).

NET ASSET VALUE

The net asset value per Unit as at 31 December 2007 was approximately HK\$3.535 (2006: HK\$3.200), which represents an increase of approximately 10.47%. The net tangible asset value per Unit as at 31 December 2007 was approximately HK\$3.365 (2006: HK\$3.041), which represents an increase of approximately 10.65%.

The increase in the net asset value per Unit was mainly attributable to the increase in the net profit after tax and before fair value gain on investment properties and transactions with the Unitholders of approximately HK\$225.867 million (2006: HK\$206.683 million) of GZI REIT during the Reporting Year and the increase in the valuation of the Properties as at 31 December 2007 to approximately HK\$4,695.5 million (2006: HK\$4,240.1 million).

UNIT ACTIVITY

Market price of the Units has been relatively stable and the percentage fluctuation, above and below the Offer Price of HK\$3.075, did not exceed 7% during the Reporting Year.

The unit price of GZI REIT reached a high of HK\$3.31 and a low of HK\$2.84 during the Reporting Year. An average of approximately 2,631,000 Units were transacted per day during the Reporting Year.

The closing price of the Units as at 31 December 2007 was HK\$3.08, representing a premium of approximately 0.16% as compared to the Offer Price of HK\$3.075. This represents a discount of approximately 12.87% as compared to the net assets attributable to unitholders per Unit as at 31 December 2007.

Since the Listing Date, a total of 1,000,000,000 Units were in issue.

FINANCIAL RESULTS

The Properties continued to perform well during the Reporting Year. GZI REIT's consolidated net profit after tax before transactions with the Unitholders amounted to approximately HK\$364.283 million (2006: HK\$244.436 million).

Excluding the effect of fair value gain on investment properties, GZI REIT's consolidated net profit after tax during the Reporting Year amounted to approximately HK\$225.867 million (2006: HK\$206.683million), representing an increase of approximately 9.28%. The following is a summary of GZI REIT's financial results during the Reporting Year:

	2007	2006	% of
	<i>HK\$'000</i>	<i>HK\$'000</i>	Increase/ (Decrease)
Gross income	<u>402,012</u>	<u>369,475</u>	8.81%
Leasing agents' fee	(13,407)	(12,279)	9.19%
Property related taxes	(31,315)	(29,232)	7.13%
Other property expenses (Note 1)	<u>(4,366)</u>	<u>(3,525)</u>	23.86%
Total property operating expenses	<u>(49,088)</u>	<u>(45,036)</u>	9.00%
Net property income	<u>352,924</u>	<u>324,439</u>	8.78%
Withholding tax	(38,469)	(35,387)	8.71%
Manager's fees	(26,163)	(23,765)	10.09%
Trustee's fees	(1,558)	(1,403)	11.05%
Other trust expenses (Note 2)	<u>(15,475)</u>	<u>(12,540)</u>	23.41%
Total non-property expenses	<u>(81,665)</u>	<u>(73,095)</u>	11.72%
Net profit before finance costs, interest income and tax	271,259	251,344	7.92%
Interest income	7,466	5,696	31.07%
Finance costs	<u>(52,858)</u>	<u>(50,357)</u>	4.97%
Net profit before tax	225,867	206,683	9.28%
Income tax expenses	<u>—</u>	<u>—</u>	N/A
Net profit after tax before fair value gains on investment properties	225,867	206,683	9.28%
Fair value gains on investment properties	138,416	37,753	266.64%
Net profit after tax before transactions with Unitholders	<u>364,283</u>	<u>244,436</u>	49.03%
Transactions with Unitholders:			
Distributions paid to Unitholders	110,700	103,300	7.16%
Proposed distributions to Unitholders	115,100	103,400	11.32%

Note 1 Other property expenses included valuation fee, insurance premium, depreciation and bank charges incurred at the level of the Properties.

Note 2 Other trust expenses included audit fees, legal advisory fees, printing charges, company secretarial fees, unit registrar's fees, listing fees, exchange difference and miscellaneous expenses.

Gross income and net property income during the Reporting Year were approximately HK\$402.012 million (2006: HK\$369.475 million) and HK\$352.924 million (2006: 324.439 million) respectively, which represents an increase of 8.81% and 8.78% respectively while comparing with 2006.

Gross income included rental income of approximately HK\$395.918 million (2006: HK\$363.639 million) and other income of approximately HK\$6.094 million (2006: HK\$5.836 million) which included advertising income, administrative charges for new leases and late settlement.

Net property income amounted to approximately HK\$352.924 million (2006: HK\$324.439 million), representing approximately 88% of total gross income, after deduction of relevant PRC taxes, leasing agent's fees and other property operating expenses.

An increase of net property income is mainly due to an appreciation of Renminbi and an increase of the rental income for the renewal and the newly signed tenancy agreements. The average rental income per square metre in December 2007 is RMB210.59 (December 2006: RMB195.37) which represents an increase of 7.79 %.

The fees of the Manager and the Trustee increased by approximately 10.09% and 11.05% respectively as a result of the increase in total assets and net property income.

Interest income amounted to approximately HK\$7.466 million (2006: HK\$5.696 million), which represented an increase of approximately 31.07%. This was attributable to the general increase in deposit rates in the Reporting Year and the Manager's arrangement with the relevant bank in Guangzhou for a relatively favourable interest rate for rental deposits in Renminbi.

Renminbi has been appreciating in value since the beginning of the Reporting Year and for the purposes of preparing the consolidated income statement of GZI REIT, the Manager has applied an exchange rate of RMB0.9694 to HK\$1, representing an average exchange rate during the Reporting Year.

Property Valuation

The Manager has engaged Colliers International Hong Kong Limited (“Colliers”) as an independent property valuer to conduct a valuation of the Properties. According to the valuation, the total value of the Properties as at 31 December 2007 amounted to approximately HK\$4,695.5 million (2006: 4,240.1 million), representing an increase of 10.74% as compared with the valuation as at 31 December, 2006.

Approximately 7.46% of the increase in the valuation is attributable to the appreciation of Renminbi in the Reporting Year and the Manager’s adoption of the exchange rate of RMB0.9364 to HK\$1 as at the date of the consolidated balance sheet of GZI REIT. The fair value gain of the Properties amounted to approximately HK\$138.4 million.

The following table summarizes the valuation of each of the Properties as at 31 December, 2007 and 31 December, 2006:-

	Valuation as at 31 December, 2007 <i>HK\$ million</i>	Valuation as at 31 December, 2006 <i>HK\$ million</i>	Increase/ decrease ⁽⁻⁾ %	Percentage of each property as to the Properties as at 31 December, 2007 %
White Horse				
Building Units	2,990.8	2,696.3	10.9%	63.7
Fortune Plaza				
Units	642.7	581.9	10.4%	13.7
City				
Development				
Plaza Units	457.2	410.2	11.5%	9.7
Victory Plaza				
Units	<u>604.8</u>	<u>551.7</u>	<u>9.6%</u>	<u>12.9</u>
Total	<u>4,695.5</u>	<u>4,240.1</u>	<u>10.7%</u>	<u>100%</u>

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

Capital Management

The capital management policy of GZI REIT is to achieve optimal debt profile. The special purpose vehicles of GZI REIT (“SPVs”) entered into a facility agreement with certain lending banks on 7 December, 2005 for a three year floating rate term loan facility of US\$165 million which was fully drawn down on the Listing Date. To change the floating rate to fixed rate of the loan facility, GZI REIT agreed with the banks to enter into currency swap contracts. The term loan is repayable in 3 years from the date of the drawdown. The bank borrowings are secured and the security package includes, among others, a registered mortgage over each of the Properties, assignment of rental income and all other proceeds arising from each of the Properties and of all tenancy agreements relating to each of the Properties and a legal mortgage over the shares of the SPVs.

The bank borrowings and the swaps contracts will be due on 21 December 2008, 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.

Total Borrowings and Total Liabilities to Asset Ratio

As at 31 December, 2007, total borrowings of GZI REIT amounted to US\$165 million, representing approximately 25% of total assets of GZI REIT.

As at 31 December, 2007, total liabilities of GZI REIT (excluding net assets attributable to the Unitholders) amounted to approximately HK\$1,657 million, representing approximately 32% of total assets of GZI REIT.

The abovesaid gearing ratio is below the maximum limit, 45%, stipulated by REIT Code.

Cash Position

Cash balance of GZI REIT as at 31 December 2007 amounted to approximately HK\$290.153 million. GZI REIT has sufficient financial resources to satisfy its financial commitments and working capital requirements.

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

Accounting Treatment:

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

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

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

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

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

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

RENOVATION PROJECTS FOR WHITE HORSE BUILDING UNITS

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

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

During 2006 and 2007, GZI REIT has incurred capital expenditure of approximately HK\$16.9 million for the abovementioned funds. The capital expenditure incurred in 2007 was approximately HK\$3.9 million.

Such capital expenditure included approximately HK\$8.8 million of fixed assets related capital expenditure and approximately HK\$8.1 million of investment properties related capital expenditure.

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

According to the renovation work plan, the worn electrical supply cables in the building will be replaced. The estimated cost for this replacement is around HK\$1.8 million which has already covered by HK\$26.7 million provided by GZI when GZI REIT was listed in 2005.

After considering the intensifying market competition and for a more comfortable area for our tenants and their potential customers and providing a favourable criteria for future increase in rental income, the Manager proposed to install a new electrical supply cable in the new cable tray to increase the load capacity for power supply to allow more flexible arrangement of power consumption for other uses in the future. The cost for the new installation is estimated to be approximately HK\$7,800,000.

SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

GZI REIT did not enter into any real estate sales and purchases during the Reporting Year.

REAL ESTATE AGENTS ENGAGED BY GZI REIT

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

During the Reporting Year, GZI REIT paid service fees to Yicheng and White Horse Property Manager in the amounts of HK\$5.387 million and HK\$8.020 million respectively.

REPURCHASE, SALE OR REDEMPTION OF UNITS

Pursuant to the Trust Deed, the Manager shall not repurchase any Units on behalf of GZI REIT unless permitted to do so by the relevant codes and guidelines issued by the Securities and Futures Commission from time to time.

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

NEW UNITS ISSUED

There were no new Units issued during the Reporting Year.

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 auditors of GZI REIT.

CORPORATE GOVERNANCE

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

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

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

CLOSURE OF REGISTER OF UNITHOLDERS

The register of Unitholders will be closed from 15 April 2008 to 21 April 2008, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the distribution, all Unit certificates with completed transfer forms must be lodged with GZI REIT's unit registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 14 April 2008. The payment date of final distribution will be on 20 May 2008.

ISSUANCE OF ANNUAL REPORT

The annual report of GZI REIT for the Reporting Year will be dispatched to the Unitholders on or before 30 April 2008.

ANNUAL GENERAL MEETING

The Manager proposed that the annual general meeting of GZI REIT for the Reporting Year be held on 13 May 2008. Notice of the annual general meeting will in due course be published and issued to the Unitholders in accordance with the Trust Deed.

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007**

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		8,897	9,775
Investment properties		4,695,536	4,240,071
Deferred assets		21,123	9,610
Goodwill		<u>169,835</u>	<u>158,290</u>
		<u>4,895,391</u>	<u>4,417,746</u>
Current assets			
Rental receivables	4	—	19
Prepayments, deposits and other receivables	4	6,277	5,829
Cash and cash equivalents		<u>290,153</u>	<u>253,846</u>
		<u>296,430</u>	<u>259,694</u>
Total assets		<u>5,191,821</u>	<u>4,677,440</u>
Current liabilities			
Rental deposits, current portion	5	12,716	9,919
Receipts in advance	5	13,809	12,721
Accruals and other payables	5	34,791	23,939
Bank borrowings, secured		1,280,605	—
Derivative financial instruments	6	221,945	—
Due to related companies		<u>15,463</u>	<u>22,144</u>
		<u>1,579,329</u>	<u>68,723</u>
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	5	77,948	64,963
Bank borrowings, secured		—	1,266,469
Derivative financial instruments	6	<u>—</u>	<u>77,578</u>
		<u>77,948</u>	<u>1,409,010</u>

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Total liabilities, other than net assets attributable to unitholders			
Net assets attributable to unitholders	7	1,657,277 <u>3,534,544</u>	1,477,733 <u>3,199,707</u>
Total liabilities		<u>5,191,821</u>	<u>4,677,440</u>
Net assets		<u>—</u>	<u>—</u>
Equity			
Hedging reserve		(83,841)	(35,608)
Retained earnings		<u>83,841</u>	<u>35,608</u>
Total equity		<u>—</u>	<u>—</u>
Net current (liabilities)/assets		<u>(1,282,899)</u>	<u>190,971</u>
Total assets less current liabilities		<u>3,612,492</u>	<u>4,608,717</u>
Units in issue ('000)		<u>1,000,000</u>	<u>1,000,000</u>
Net assets attributable to unitholders per unit		<u>HK\$3.53</u>	<u>HK\$3.20</u>

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue — rental income		402,012	369,475
Operating expenses	8	<u>(130,753)</u>	<u>(118,131)</u>
Operating profit		271,259	251,344
Interest income from bank deposits		7,466	5,696
Fair value gain on investment properties		138,416	37,753
Finance costs - excluding amounts attributable to unitholders	9	<u>(52,858)</u>	<u>(50,357)</u>
Profit before tax and transactions with unitholders		364,283	244,436
Income tax expenses	10	<u>—</u>	<u>—</u>
Profit after tax before transactions with unitholders		<u>364,283</u>	<u>244,436</u>
Change in net assets attributable to unitholders		316,050	220,109
Amount arising from cash flow hedging reserve movement		<u>48,233</u>	<u>24,327</u>
		<u>364,283</u>	<u>244,436</u>

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005 (the “Trust Deed”), GZI REIT is required to distribute to unitholders not less than 90% distributable income for each financial period. GZI REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash dividends and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of GZI REIT less any liabilities, in accordance with unitholders’ proportionate interests in GZI REIT at the date of the termination of GZI REIT. The unitholders’ funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32: Financial Instruments: Disclosure and Presentation. Consistent with unitholders’ funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the income statement. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders’ funds are disclosed in the balance sheet and how distributions are disclosed in the income statement. Distributable income is determined in the Distribution Statement.
- (ii) Earnings per unit based upon profit after tax before transactions with unitholders and the average number of units in issue, is presented in note 11.

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit after tax before transactions with unitholders	364,283	244,436
Adjustments for the total distributable income (i) - Fair value gain on investment properties	<u>(138,416)</u>	<u>(37,753)</u>
Total distributable income	225,867	206,683
Distributable amount at 1 January	103,426	40,543
Distribution paid during the year (ii)	<u>(214,100)</u>	<u>(143,800)</u>
Distributable amount at 31 December	<u>115,193</u>	<u>103,426</u>
Final distribution proposed	115,100	103,400
Distribution per unit, proposed	<u>HK\$0.1151</u>	<u>HK\$0.1034</u>

Note:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after tax before transactions with unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the income statement for the relevant year or period.
- (ii) A distribution of HK\$0.1034 per unit and HK\$0.1107 per unit totaling HK\$214,100,000 (2006: HK\$143,800,000), was paid to unitholders on 25 May 2007 and 30 October 2007 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Application of new and revised Hong Kong Financial Reporting Standards (“HKFRS”)

In the current year the Group has applied for the first time, a number of new standard amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Accountants (the “HKICPA”), which are effective for the Group’s financial year beginning from 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS29, Financial Reporting in Hyperinflationary Economics
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim financial reporting and impairment

The Group has not early adopted the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions ²
HK(IFRIC) — Int 12	Service Concession Arrangements ³
HK(IFRIC) — Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

The Manager anticipates that the application of these standards or interpretations will have no material impact on the results and the financial position of GZI REIT.

2 Basic of preparation of financial statements

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

3 Segment Reporting

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

4 **Rental receivables, prepayments, deposits and other receivables - Group**

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Rental receivables	—	19
Less: provision for impairment of receivables	<u>—</u>	<u>—</u>
Rental receivables — net	—	19
Prepayments, deposits and other receivables	<u>6,277</u>	<u>5,829</u>
	<u><u>6,277</u></u>	<u><u>5,848</u></u>

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

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

The majority of the Group's rental income is received in cash and there is no specific credit terms given to the tenants. The rental receivables are generally fully covered by the rental deposits from corresponding tenants.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 — 30 days	<u>—</u>	<u>19</u>

There is no concentration of credit risk with respect to rental receivables, as the Group has a large number of tenants.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Rental deposits, current portion	-----12,716	-----9,919
Receipts in advance	-----13,809	-----12,721
Provision for withholding tax payable	6,440	5,172
Provision for business tax and flood prevention fee	4,022	3,257
Accruals for operating expenses	<u>24,329</u>	<u>15,510</u>
Accruals and other payables	<u><u>34,791</u></u>	<u><u>23,939</u></u>
	<u><u>61,316</u></u>	<u><u>46,579</u></u>

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

All rental deposits, receipts and part of accruals and other payables are denominated in Renminbi.

Non-current rental deposits of the Group were HK\$77,948,000 (2006: HK\$64,963,000) as at 31 December 2007.

6 Derivative financial instruments - Group

	<i>HK\$'000</i>
Interest rate and currency swaps - cash flow hedges	
At 1 January 2006	11,231
Fair value losses	64,665
Exchange difference	<u>1,682</u>
At 31 December 2006	<u>77,578</u>
At 1 January 2007	77,578
Fair value losses	133,986
Exchange difference	<u>10,381</u>
At 31 December 2007	<u>221,945</u>

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedge item is less than 12 months.

Interest rate and currency swaps

The notional principal amounts of the outstanding interest rate and currency swap contracts at 31 December 2007 were US\$165,000,000 (2006: US\$165,000,000).

At 31 December 2007, the fixed interest rate for the bank borrowings vary from 3.18% to 3.28% and the floating rates are LIBOR plus 1.35%. The exchange rate for the bank borrowings is 7.3046 (2006: 7.8087) Renminbi per one US dollar and the spot rate is the exchange rate announced by the State Administration of Foreign Exchange in China.

Gains and losses recognised in the hedging reserve in equity on interest rate and currency swap contracts as of 31 December 2007 will be continuously released to the income statement until the repayment of the secured bank borrowings.

7 Net assets attributable to unitholders

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Beginning of the year	3,199,707	3,015,914
Issuance of units	—	—
Transfer from income statement	316,050	220,109
Distribution paid during the year	(214,100)	(143,800)
Exchange difference	<u>232,887</u>	<u>107,484</u>
End of the year	<u>3,534,544</u>	<u>3,199,707</u>

8 Expenses by nature

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Property management fee (i)	13,407	12,279
Urban real estate tax	10,616	10,043
Business tax and flood prevention fee	20,462	18,806
Withholding tax (ii)	38,470	35,387
Depreciation expenses of property, plant and equipment	2,583	1,503
Asset management fee	26,163	23,765
Trustee's remuneration	1,558	1,403
Valuation fee	200	153
Legal and professional fee	2,071	2,007
Auditors' remuneration	1,500	1,340
Others	<u>13,723</u>	<u>11,445</u>
Total operating expenses	<u><u>130,753</u></u>	<u><u>118,131</u></u>

Note:

- (i) The Group received leasing, marketing and tenancy management services from two leasing agents, namely, Guangzhou YiCheng Property Management Ltd. and White Horse Property Management Co. Ltd.
- (ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income (net of business tax paid) and interest income at a rate of 10 per cent.

9 Finance costs

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest expense:		
- bank borrowings wholly repayable within five years	51,184	50,674
Net foreign exchange transaction gains	(84,079)	(40,655)
Fair value losses on financial instruments:		
- interest rate and currency swaps: cash flow hedge, transfer from reserve	<u>85,753</u>	<u>40,338</u>
	<u><u>52,858</u></u>	<u><u>50,357</u></u>

10 Income tax expenses

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, which became effective from 1 January 2008 onwards.

Furthermore, unlike the Income Tax Law of the People's Republic of China for Foreign-invested Enterprises and Foreign Enterprises, which specifically exempted withholding tax on any dividends payable to non-PRC enterprises investors, the PRC Enterprise Income Tax Law provides that an income tax rate of 20% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. In accordance with the PRC Enterprise Income Tax Law and the "Implementation Rules of the People's Republic of China on the Enterprise Income Tax Law" promulgated by the State Council on 6 December 2007 and effective 1 January 2008, a reduced income tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises.

As the China enterprise income tax of the Group was paid by the way of withholding tax, this change has no impact on the Group's operation.

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

There is no material unprovided deferred taxation as at 31 December 2007 (2006: Nil).

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

Earnings per unit based upon profit after tax before transactions with unitholders for the year ended 31 December 2007 is HK\$0.36 (2006: HK\$0.24). The calculation of earnings per unit is based on profit after tax before transactions with unitholders of HK\$364,283,000 (2006: HK\$244,436,000) and on 1,000,000,000 units (2006: 1,000,000,000 units) in issue during the year.

Diluted earnings per unit is not presented as there is no dilutive instruments for the year ended 31 December 2007 and 2006.

12 Capital commitments

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Capital commitments in respect of property, plant and equipment, contracted but not provided for	476	864
Capital commitments in respect of investment properties, contracted but not provided for	<u>2,056</u>	<u>2,316</u>
	<u><u>2,532</u></u>	<u><u>3,180</u></u>

13 Future minimum rental receivable

At 31 December 2007, the Group had future minimum rental receivable under non-cancellable leases as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Not later than one year	394,428	372,491
Later than one year and not later than five years	667,070	858,224
Later than five years	<u>50,052</u>	<u>21,503</u>
	<u><u>1,111,550</u></u>	<u><u>1,252,218</u></u>

**PERFORMANCE TABLE
AS AT 31 DECEMBER 2007**

	2007	2006
Net assets attributable to unitholders	HK\$3,534,544,000	HK\$3,199,707,000
Net asset attributable to unitholders per unit	HK\$3.53	HK\$3.20
The highest premium of the traded price to net asset value (i)	N/A	HK\$0.500
The highest discount of the traded price to net asset value (i)	HK\$0.695	HK\$0.350
Net yield per unit (ii)	11.83%	7.96%
Number of units in issue	1,000,000,000 units	1,000,000,000 units

Note:

- (i) The highest premium is calculated based on the highest traded price of HK\$3.31 (2006: HK\$3.775) on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2007. The highest discount is calculated based on the lowest traded price of HK\$2.84 on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2007.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with unitholders per unit for the year ended 31 December 2007 over the traded price of HK\$3.08 (2006: HK\$3.07) as at 31 December 2007.

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, 31 March 2008

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.*