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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
GZI REIT ASSET MANAGEMENT LIMITED

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the “Board”) of GZI REIT Asset Management Limited (the “Manager”) is pleased to announce the unaudited interim results of GZI Real Estate Investment Trust (“GZI REIT”) for the six months ended 30 June 2010 (“Interim Period”) as follows:

FINANCIAL HIGHLIGHTS

The following is a summary of GZI REIT’s financial results during the 2010 and 2009 Interim Period:

(in Renminbi (“RMB”), unless otherwise specified)

	Six months ended 30 June		Change
	2010	2009	Increase %
Gross Income	240,432,000	230,623,000	4.3%
Net property income	187,557,000	184,269,000	1.8%
Profit after tax	273,235,000	114,107,000	139.5%
Earnings per unit	0.2563	0.1070	139.5%
Distribution per unit	0.1087	0.1036	4.9%
Equivalent to HK\$	0.1246	0.1175	6.0%

	30 June 2010	31 December 2009	Change Increase %
Portfolio valuation	5,220,000,000	5,082,000,000	2.7%
Net assets value	3,734,000,000	3,587,000,000	4.1%
Net assets attributable to Unitholders per unit	3.50	3.36	4.1%

DISTRIBUTION

In accordance with the Trust Deed, GZI REIT will distribute no less than 90% of Total Distributable Income to the Unitholders.

The Manager has resolved to declare an interim distribution to Unitholders for the 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. This represents a 100% distribution of GZI REIT's Total Distributable Income for the 2010 Interim Period.

The 2010 interim distribution amounting to approximately RMB115,871,000 which is equivalent to HK\$132,819,000 (2009: approximately RMB110,410,000 which is equivalent to HK\$125,252,000), in aggregate, will be effected on or about 28 October 2010 and HK\$0.1246 (equivalent to RMB0.1087) per unit will be paid, to the Unitholders whose names appear on the register of Unitholders on 20 September 2010.

The Manager confirms that the distribution referred above composes only 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 unitholders are paid in Hong Kong dollars. 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 Per Unit

Distribution to Unitholders for the 2010 Interim Period of HK\$0.1246 (2009: HK\$0.1175) per unit represents a yield of approximately 3.79% (2009: 4.66%) per unit based on the closing price of HK\$3.29 per unit as at 30 June 2010 (2009:HK\$2.52). This represents an annualized distribution yield of 7.57%.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Quality property portfolio generates stable growth in operating income

In mid-2010, with the Chinese macroeconomic situation gradually turning for the better, GZI REIT actively grasped the opportunity to plan and perform specific and relatively aggressive leasing strategies further consolidating the operation and yields of the Properties. The overall operation revenue continued to grow steadily and the results are satisfactory.

PROPERTY PORTFOLIO

As at 30 June 2010, GZI REIT 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 Plaza Units (“Yue Xiu Neo Metropolis”). The aggregate area of ownership was approximately 223,614.3 sq.m.; total rentable area was approximately 211,031.1 sq.m. (excluding Yue Xiu Neo Metropolis Plaza Units’ 7,549.03 sq.m. of parking space and 4,528.06 sq.m. of clubhouse and common facilities area, and the following statistics of both current rented aggregate area and occupancy rate exclude the above area).

According to an interim valuation by an independent professional valuer, Vigers Appraisal and Consulting Limited (“Vigers”), the valuation of the Properties of GZI REIT as at 30 June 2010 was in the aggregate amount of approximately RMB5.22 billion, representing an increase of approximately HK\$0.138 billion or 2.7% over the valuation on 31 December 2009. The Net assets attributable to unitholders per unit was approximately RMB3.5, which increased by 4.1% over the net value per unit on 31 December 2009.

The following table summarizes the valuation of each of the Properties as at 30 June 2010 and 31 December 2009:

Property Name	Valuation as at	Valuation as at	Increase/ (decrease) %
	30 June 2010 <i>RMB million</i>	31 December 2009 <i>RMB million</i>	
White Horse Building	2,943.0	2,878.5	2.2%
Fortune Plaza	608.5	590.5	3.0%
City Development Plaza	431.0	419.0	2.9%
Victory Plaza	596.0	543.0	9.8%
Yue Xiu Neo Meteropolis	641.5	651.0	(1.5)%
Total	<u>5,220.0</u>	<u>5,082.0</u>	2.7%

The following table shows particulars of the properties:

Property	Type	Location	Year of Completion	Area of Ownership <i>(Sq.m.)</i>	Total	Property	# of Lease Contract ⁽²⁾	Appraised Value ⁽²⁾ <i>(RMB million)</i>
					Rental Area <i>(Sq.m.)</i>	Occupancy Rate ⁽²⁾		
White Horse Building	Wholesale shopping center	Yuexiu District	1990	50,199.3	50,128.9	99.76%	1,100	2,943.0
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	98.81%	73	608.5
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	99.51%	66	431.0
Victory Plaza	Retail shopping center	Tianhe District	2003	27,698.1	27,262.3	99.96%	20	596.0
Yue Xiu Neo Metropolis	Commercial complex	Yuexiu District	2007	61,964.3	49,887.3 ⁽¹⁾	97.27% ⁽¹⁾	112	641.5
	Total			<u>223,614.3</u>	<u>211,031.1</u>	<u>98.96%</u>	<u>1,371</u>	<u>5,220.0</u>

Note:

(1) excluding 7,549.03 sq.m. of parking space and 4,528.06 sq.m. of clubhouse and common facilities area;

(2) As at 30 June 2010.

OCCUPANCY RATE STAYED AT HIGH LEVELS

As at 30 June 2010, the overall occupancy rate of the Properties was approximately 98.96%, representing 1.43 percentage higher than 97.53% for the same period last year. In particular, the overall vacancy rate of the three office properties, namely Fortune Plaza, City Development Plaza and Yue Xiu Neo Metropolis, was only 1.54%, much lower than the average vacancy rate of 14.3% or above of offices 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 interim period and the same period of previous year:

Name of Property	Occupancy Rate as at 30 June 2010	Occupancy Rate as at 30 June 2009	Percentage Increase Compared to 30 June 2009
White Horse Building	99.76%	99.63%	0.13%
Fortune Plaza	98.81%	97.88%	0.93%
City Development Plaza	99.51%	97.88%	1.63%
Victory Plaza	99.96%	95.41%	4.55%
Yue Xiu Neo Metropolis	97.27%	95.99%	1.28%
Total	<u>98.96%</u>	<u>97.53%</u>	1.43%

REVENUE CONTINUED TO INCREASE

For 2010 Interim Period, the Properties recorded revenue of approximately RMB240,432,000, representing a 4.3% increase compared to that of the previous year. In particular, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Yue Xiu Neo Metropolis accounted for approximately 57.2%, 12.0%, 10.2%, 10.2% and 10.4% respectively of the total revenue of the Properties.

No bad debt was recorded during this Interim Period.

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

Name of Property	Revenue For 2010 Interim Period <i>RMB million</i>	Revenue For 2009 Interim Period <i>RMB million</i>	Increase/ (Decrease) Compared to 2009 Interim Period <i>RMB million</i>	Increase/ (Decrease) of Revenue From Property %
White Horse Building	137.5	131.8	5.7	4.3%
Fortune Plaza	28.8	27.3	1.5	5.5%
City Development Plaza	24.5	24.9	(0.4)	(1.6)%
Victory Plaza	24.5	22.1	2.4	10.9%
Yue Xiu Neo Metropolis	25.1	24.5	0.6	2.4%
Total	240.4	230.6	9.8	4.3%

White Horse Building-innovation reinforces its remarkable industry leadership

Successfully holding the “White Horse Fashion Market 2010 Nationwide Circuit Show” in the first half of the year as part of the efforts to create and expand its marketing promotional mode, White Horse Building organized for many of its tenants, fashion brand retailers to participate in numerous brand-to-brand activities in fashion distribution centers in cities like Beijing and Zhengzhou, which was first of its kind in domestic fashion market, and won great acclamation from its peers. Meanwhile White Horse fashion center was accredited as “The Incubation base of China Fashion Brand” in the first half of the year, consequently, White Horse further showed its leadership in fashion industry. In terms of marketing operation innovation, White Horse Building launched great efforts in achieving operational positioning adjustment and floor layout renovation on Level 3, thereby enhancing rental yields and competitiveness of the Property. In addition, through deepening tenant relationship management and organizing customers to attend influential industry activities, White Horse Building drew closer relationship among fashion peers and broadened its customers’ product marketing channels. White Horse Building continued to strengthen traditional media propagation while constructing an e-commerce transaction platform with such remarkable results that the comprehensive competition capacity of the Property was advanced, and a solid foundation for constant revenue growth of the Property was established.

Fortune Plaza and City Development Plaza-actively grasping every opportunity to enlarge quality customer recourses

During the first half of the year, supply-and-demand of office building in Guangzhou gradually turned into a balanced and healthy trend, and the overall leasing market conditions were slightly better than last year. Located in the traditional business areas of Guangzhou, Fortune Plaza and City Development actively grasped every business opportunities, kept a close watch over dynamic operation of quality tenants, effectively managed the expiring leases, strengthened marketing planning and customer attraction, encouraged internal quality customers to expand their leased areas, so as to secure a higher occupancy rate and stable rental yields were realized. In particular, Fortune Plaza managed to renew the leases with existing tenants including a number of the World Top 500 like “AstraZeneca”, “LG Chemical”, “Manpower” and other famous companies, thereby achieving relatively ideal rental level. Continuing to optimize the tenants mix and bringing in more quality customers, City Development Plaza completed the expansion of leased areas of “Easy Fonda” and concluded the leasing of a whole floor unit for the World Top 500 “AIA Insurance”, thereby further stabilizing the overall operation.

Victory Plaza-highlighting features to progress by taking advantage of opportunities

At Victory Plaza, we actively encouraged our prominent commercial tenant “GOME Home Appliance” to expand the leased areas on the first and second floor of the building, so that “GOME Home Appliance and Victory Xin Hue Guan” could realize its goal in position turning, further consolidated its leadership in Southern China and strengthening its market competition advantages, thereby providing solid guaranty for the long term yields of Victory Plaza. Meanwhile through holding Victory “2010 Shopping Carnival” as part of the effort to continue strengthening marketing promotion, we effectively brought in increased flow of consumers and increased the commercial tenants’ confidence in marketing, thus raising the reputation of Victory Plaza and enlarging the influence of Tianhe commercial circle.

Yue Xiu Neo Metropolis-effectively managing the expiring leases and actively bringing in more quality customers

With many leases expiring this year at this Plaza, we worked hard to enhance the leasing staff’s capacity in planning business operation and attracting customers, trying to reduce the unoccupied period of vacant units and expiring units. At the same time we succeeded in introducing Star Cruises under “Gentling (Hong Kong) Group” as part of the effort to bring in and retain quality customers, which optimized the customer mix.

Actively propelling the asset enhancement project, achieving property value preservation and appreciation

In the first half of 2010, the Manager completed the installation of additional lifts in Yue Xiu Neo Metropolis, after putting new lifts into use, the vertical transportation of Yue Xiu Neo Metropolis got remarkable improvement, and the waiting interval during peak hours was greatly reduced by over a half, thereby enhancing the competition advantages of the Property.

With the completion of both the renovation of the hall in Fortune Plaza and the renovation of the sixth floor and the mall stairs in White Horse Building , the commercial environment of the project made effective improvements.

In the second half of the year, the Manager will schedule to undertake projects such as renovation of No.3 and No.4 lifts in White Horse, as well as the renovation of the air conditioning, fire prevention, power supply system in City Development. The investment budget is approximately RMB 13.75 million.

Actively making preparations and capturing every opportunity to proceed with acquisitions

Currently, White Horse Building has the largest percentage in operation revenue and profit of the GZI REIT, representing about 57.2% and 59.2% respectively. The Manager believes that incorporation of new real estate projects will reduce the risk of relying on single project and will stabilize the property portfolio of fund.

In the first half of 2010, the Manager has taken positive actions to continue identifying value-added projects in cities nationwide, aiming to achieve project acquisitions under the currently slowing-down real estate market, to improve the property portfolio, to expand the source of operation revenue, and thereby to enhance the long-term benefits of unit holders.

FINANCIAL REVIEW

Financial Results

Both rental income and net property income were higher than the interim period of 2009. The following is a summary of GZI REIT's financial results during the 2010 Interim Period:

	Six months ended 30 June		Increase/ (decrease) %
	2010 Unaudited RMB'000	2009 Unaudited RMB'000	
Gross income	240,432	230,623	4.3%
Leasing agents' fee	(8,292)	(7,834)	5.8%
Property related taxes (<i>Note 1</i>)	(41,269)	(36,119)	14.3%
Other property expenses (<i>Note 2</i>)	(3,314)	(2,401)	38.0%
Total property operating expenses	<u>(52,875)</u>	<u>(46,354)</u>	14.1%
Net property income	<u>187,557</u>	<u>184,269</u>	1.8%
Withholding tax	(21,606)	(20,488)	5.5%
Manager's fees	(14,054)	(14,162)	(0.8)%
Trustee's fees	(845)	(840)	0.6%
Other trust expenses (<i>Note 3</i>)	(1,839)	(860)	113.8%
Total non-property expenses	<u>(38,344)</u>	<u>(36,350)</u>	5.5%
Profit before finance costs, interest income and tax	149,213	147,919	0.9%
Interest income	1,182	934	26.6%
Finance costs — excluding amounts attributable to Unitholders	(8,647)	(32,973)	(73.8)%
Profit before tax	<u>141,748</u>	<u>115,880</u>	22.3%
Income tax expenses	(3,980)	(4,796)	(17.0)%
Net Profit after tax before fair value gains on investment properties	<u>137,768</u>	<u>111,084</u>	24.0%
Fair value gains on investment properties	135,467	3,023	4381.2%
Net Profit after tax before transactions with Unitholders	<u><u>273,235</u></u>	<u><u>114,107</u></u>	139.5%

Note 1 Property related tax includes real estate tax, land used right tax, business tax and stamp duties.

Note 2 Other property expenses include valuation fee, insurance premium, depreciation and other operating expenses incurred at the level of the properties.

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

Gross income was approximately RMB240,432,000 (2009: RMB230,623,000), which represents an increase of 4.3%. It is mainly because of an increase in average rent and the occupancy rate. The average rental income per square meter per month of five premises as at 30 June 2010 was approximately RMB196 (2009: RMB189).

Property related tax increased by approximately 14.3% as compared with 2009. It is mainly because of an increase of real estate tax due to the real estate tax free period of Yue Xiu Neo Metropolis is expired at the beginning of 2010.

Due to the depreciation of Hong Kong dollar against Renminbi during mid-2010, a favourable exchange gain in RMB16,803,000 was deducted from the financial cost of HK\$2.1 billion term loan, excluding this favourable adjustment, the actual financial cost for the said 2.1 billion term loan was RMB25,450,000.

Profit after tax before transactions with Unitholders amounted to approximately RMB273,235,000 (2009: RMB114,107,000), which represents 139.5% increase, mainly due to the fair value gain on properties valuation for the 2010 Interim Period being approximately RMB135,467,000, far higher than the amount of approximately RMB3,023,000 recorded for the same period of last year.

New Units Issued and Unit Activity

There were no new units issued by GZI REIT during the 2010 Interim Period. As at 30 June 2010, a total of 1,065,972,687 units were issued by GZI REIT.

The closing price of GZI REIT as at 30 June 2010 was HK\$3.29 per unit which represents a 6.99% increase compared to the IPO price of HK\$3.075 per unit. GZI REIT's unit price reached a high of HK\$3.57 and a low of approximately HK\$2.94 during the 2010 Interim Period. The volume transacted during the 2010 Interim Period was approximately 198,575,000 units, equivalent to an average of approximately 1,641,000 units daily.

Asset Value

The net assets attributable to the Unitholders per unit as at 30 June 2010 was approximately RMB3.50 (31 December 2009: RMB3.36).

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 new loan was drawn down on 12 November 2008.

As at 30 June 2010, total borrowings of GZI REIT amounted to approximately RMB1.811 billion which is approximately HK\$2.076 billion (total borrowings are calculated based on bank loan, but excluding capitalization of debt-related expenses), representing approximately 31.2% of total assets of GZI REIT.

As at 30 June 2010, total liabilities of GZI REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB2.072 billion, representing approximately 35.7% 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 30 June 2010 amounted to approximately RMB372,490,000 which is approximately HK\$426,972,000. 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.

CHANGE OF PRESENTATION CURRENCY

During the period ended 30 June 2010, GZI REIT has changed its presentation currency for the preparation of its financial statements from Hong Kong currency 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 31 December 2009 and average exchange rate for the period under review for income statement items, i.e. 1 January 2009 to 30 June 2009.

The change in presentation currency has no significant impact on the financial position of GZI REIT as at 30 June 2010 and 2009, or the results and cash flows of GZI REIT for the period ended 30 June 2010 and 2009.

REVIEW OF FINANCIAL RESULTS

The results of GZI REIT for the 2010 Interim Period have been reviewed by the Disclosures Committee and Audit Committee of the Manager and by the GZI REIT's auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

ISSUANCE OF 2010 INTERIM REPORT

The interim report of GZI REIT for the six months ended 30 June 2010 will be published on the websites of the Stock Exchange and GZI REIT and will be sent to Unitholders on or before 31 August 2010.

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 2010 Interim Period, there was no repurchase, sale or redemption of units of GZI REIT by GZI REIT or any of its subsidiaries.

SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

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

EMPLOYEES

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

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 which it manages.

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

During the 2010 Interim Period, 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 Wednesday, 15 September 2010 to Monday, 20 September 2010, 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, of 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Tuesday, 14 September 2010.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 JUNE 2010

	<i>Note</i>	30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
Non-current assets			
Machinery and tools		2,011	3,230
Investment properties		5,220,000	5,082,000
Deferred assets		43,972	37,420
Goodwill		160,324	160,324
		<u>5,426,307</u>	<u>5,282,974</u>
Current assets			
Tax recoverable		1,568	1,453
Prepayments, deposits and other receivables	4	6,126	5,457
Cash and cash equivalents		372,490	361,266
		<u>380,184</u>	<u>368,176</u>
Total assets		<u>5,806,491</u>	<u>5,651,150</u>
Current liabilities			
Rental deposits, current portion		69,289	79,523
Receipts in advance		11,061	5,799
Accruals and other payables		57,273	46,919
Due to related companies		15,459	15,603
		<u>153,082</u>	<u>147,844</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2010

	<i>Note</i>	30 June 2010	31 December 2009
		Unaudited	Audited
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion		38,452	26,861
Bank borrowings, secured		1,810,737	1,819,485
Deferred tax liabilities		69,759	70,111
		<u>1,918,948</u>	<u>1,916,457</u>
Total liabilities, other than net assets attributable to unitholders		2,072,030	2,064,301
Net assets attributable to unitholders		<u>3,734,461</u>	<u>3,586,849</u>
Total liabilities		<u>5,806,491</u>	<u>5,651,150</u>
Net assets		<u>—</u>	<u>—</u>
Total equity		<u>—</u>	<u>—</u>
Net current assets		<u>227,102</u>	<u>220,332</u>
Total assets less current liabilities		<u>5,653,409</u>	<u>5,503,306</u>
Units in issue ('000)		<u>1,065,973</u>	<u>1,065,973</u>
Net assets attributable to unitholders per unit (RMB)		<u>3.50</u>	<u>3.36</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

		Unaudited	
		Six months	
		ended 30 June	
	<i>Note</i>	2010	2009
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue — rental income		240,432	230,623
Operating expenses	5	(91,219)	(82,704)
Operating profit		149,213	147,919
Fair value gain on investment properties		135,467	3,023
Interest income from bank deposits		1,182	934
Finance costs — excluding amounts attributable to unitholders	6	(8,647)	(32,973)
Profit before tax and transactions with unitholders		277,215	118,903
Income tax expenses	7	(3,980)	(4,796)
Profit after tax before transactions with unitholders		273,235	114,107
Other comprehensive income — Cash flow hedges, net of tax		—	—
Total comprehensive income for the period before transactions with unitholders		<u>273,235</u>	<u>114,107</u>
Change in net assets attributable to unitholders		<u>273,235</u>	<u>114,107</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

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 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 8.

**DISTRIBUTION STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	<i>Note</i>	Unaudited Six months ended 30 June 2010	2009
		<i>RMB'000</i>	<i>RMB'000</i>
Profit after tax before transactions with unitholders		273,235	114,107
Adjustments for the total distributable income ⁽ⁱ⁾			
— Fair value gain on investment properties		(135,467)	(3,023)
— Deferred taxation credited to the statement of comprehensive income	7	(352)	(495)
— Amortisation charges on investment properties under China Accounting Standards		(5,115)	—
— Exchange gain on bank borrowings		(16,803)	—
Total distributable income		<u>115,498</u>	<u>110,589</u>
Distributable amount at 1 January		126,017	115,264
Distribution paid during the period ⁽ⁱⁱ⁾		<u>(125,623)</u>	<u>(115,189)</u>
Distributable amount at 30 June		<u>115,892</u>	<u>110,664</u>
Interim distribution declared ⁽ⁱⁱⁱ⁾		<u>115,871</u>	<u>110,410</u>
Distribution per unit, declared ⁽ⁱⁱⁱ⁾		<u>RMB0.1087</u>	<u>RMB0.1036</u>

Notes:

- (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 or period.
- (ii) A distribution of RMB 0.1178 per Unit, totaling RMB 125,623,027 (equivalent to HK\$143,160,144), was paid to unitholders on 19 May 2010.
- (iii) An interim distribution in respect of six months ended 30 June 2010 of RMB0.1087 (equivalent to HK\$0.1246) per unit, totalling RMB115,871,000 (equivalent to HK\$132,819,000) was declared by the Board of the Manager on 5 August 2010.

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Unaudited	
	Six months ended	
	30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	160,041	142,133
Interest paid	(17,396)	(25,608)
China enterprise income tax paid	(4,447)	(5,665)
	<u>138,198</u>	<u>110,860</u>
Net cash generated from operating activities	----- 138,198	----- 110,860
Cash flows from investing activities		
Additions of investment properties	(2,533)	(4,486)
Interest received	1,182	934
	<u>(1,351)</u>	<u>(3,552)</u>
Net cash used in investing activities	----- (1,351)	----- (3,552)
Cash flows from financing activities		
Distribution paid	(125,623)	(115,189)
	<u>(125,623)</u>	<u>(115,189)</u>
Net cash used in financing activities	----- (125,623)	----- (115,189)
Net increase/(decrease) in cash and cash equivalents	11,224	(7,881)
Cash and cash equivalents at beginning of the period	<u>361,266</u>	<u>350,481</u>
Cash and cash equivalents at end of the period	<u><u>372,490</u></u>	<u><u>342,600</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

GZI Real Estate Investment Trust and its subsidiaries (together, 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 Supplemental Deed dated 25 March 2008) 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.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Manager on 5 August 2010.

2 Basis of preparation

This condensed consolidated interim financial information for the six-month period ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard 34, ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

During the period ended 30 June 2010, the Group has changed its presentation currency of its financial statements from Hong Kong dollar to RMB. The Board considers the change will result in a more appropriate presentation of the Group’s transactions in the financial statements. The comparative figures in this condensed consolidated interim financial information have been arrived at using the closing rates for balance sheet items and average rates for the year under review for 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 31 December 2009 and 30 June 2010 and results and cash flows of the Group for the periods ended 30 June 2009 and 2010.

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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 Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 3 (Revised)	Business Combination (and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures')
HK(IFRIC)-Int 17	Distribution of non-cash assets to owners
HK(IFRIC)-Int 18	Transfer of Assets from customers

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.

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

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 2013

In addition, 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. The Group will adopt the above new standards, amendments to standards and interpretations when they become effective.

4 Prepayments, deposits and other receivables

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

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

5 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Property management fee ⁽ⁱ⁾	8,292	7,834
Urban real estate tax	28,568	24,041
Business tax and flood prevention fee	12,195	11,587
Withholding tax ⁽ⁱⁱ⁾	21,606	20,488
Depreciation of property, plant and equipment	1,219	1,219
Asset management fee	14,054	14,162
Trustee's remuneration	845	840
Valuation fee	229	123
Legal and professional fee	472	474
Auditor's remuneration	790	793
Bank charges	53	61
Others	2,896	1,082
	<u> </u>	<u> </u>
Total operating expenses	<u>91,219</u>	<u>82,704</u>

Notes:

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

6 Finance costs

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Interest expense for bank borrowings	17,396	25,608
Loan transaction costs for bank borrowings	8,054	8,059
Net foreign exchange transaction gains	(16,803)	(694)
	<u>8,647</u>	<u>32,973</u>

7 Income tax expenses

Since a subsidiary carried out its operation through a sino-foreign co-operative joint venture in China, it is subject to corporate income tax at a rate of 25% (30 June 2009: 25%).

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.

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Current income tax		
- Hong Kong profits tax	—	—
- China enterprise income taxation	4,332	5,291
Deferred income tax	(352)	(495)
	<u>3,980</u>	<u>4,796</u>

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period ended 30 June 2010 is 25% (the estimated tax rate for the six months ended 30 June 2009 was 25%).

8 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 six months ended 30 June 2010 is approximately RMB 0.2563 (June 2009: RMB 0.1070). The calculation of earnings per unit is based on profit after tax before transactions with unitholders of approximately RMB 273,235,000 (June 2009: RMB 114,107,000) and on average units in issue of 1,065,973,000 units (June 2009: 1,065,973,000 units) during the period.

Diluted earnings per unit is not presented as there is no dilutive instrument for the six months ended 30 June 2010.

9 Future minimum rental receivables

At 30 June 2010, the Group had future minimum rental receivables under non-cancellable leases as follows:

	Unaudited 30 June 2010 <i>RMB'000</i>	Audited 31 December 2009 <i>RMB'000</i>
Not later than one year	329,538	327,602
Later than one year and not later than five years	472,821	232,364
Later than five years	15,744	22,130
	<u>818,103</u>	<u>582,096</u>

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, 5 August 2010

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.