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(Stock Code: 405)

Managed by
GZI REIT ASSET MANAGEMENT LIMITED

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011 (“Interim Period”) as follows:

FINANCIAL HIGHLIGHTS

The following is a summary of GZI REIT’s financial results during the 2011 and 2010 Interim Period:

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

	Six months ended 30 June		Change
	2011	2010	Increase %
Gross Income	257,546,000	240,432,000	7.1%
Net property income	201,624,000	187,557,000	7.5%
Profit after tax	839,541,000	273,235,000	207.3%
Earnings per unit	0.7876	0.2563	207.3%
Distribution per unit	0.1109	0.1087	2.0%
Equivalent to HK\$	0.1339	0.1246	7.5%

	30 June 2011	31 December 2010	Change Increase %
Portfolio valuation	6,116,500,000	5,432,500,000	12.6%
Net assets value	4,715,746,000	3,980,990,000	18.5%
Net assets attributable to Unitholders per unit	4.42	3.73	18.5%

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 2011 Interim Period of approximately RMB0.1109 which is equivalent to HK\$0.1339 (2010: approximately RMB0.1087 which is equivalent to HK\$0.1246) per unit. This represents a 100% distribution of GZI REIT's Total Distributable Income for the 2011 Interim Period.

The 2011 interim distribution amounting to approximately RMB118,239,000 which is equivalent to HK\$142,716,000 (2010: approximately RMB115,871,000 which is equivalent to HK\$132,819,000), in aggregate, will be effected on 26 October 2011 and HK\$0.1339 (equivalent to RMB0.1109) per unit will be paid, to the Unitholders whose names appear on the register of Unitholders on 23 September 2011.

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 consolidated statement of comprehensive income for the relevant year or period.

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

Distribution Per Unit

Distribution to Unitholders for the 2011 Interim Period of HK\$0.1339 (2010: HK\$0.1246) per unit represents a yield of approximately 3.33% (2010: 3.79 %) per unit based on the closing price of HK\$4.02 per unit as at 30 June 2011 (2010: HK\$3.29). This represents an annualized distribution yield of 6.66%.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Stable growth in operating results

In mid-2011, with the Chinese macroeconomic situation maintaining a good development momentum, GZI REIT continued to implement proactive leasing and asset management strategies and achieved remarkable performance. Various operating indicators recorded historical highs and property competitiveness continuously strengthened, which laid down a solid foundation for future income growth and long-term development of GZI REIT.

PROPERTY PORTFOLIO AND VALUATION

As at 30 June 2011, 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 (“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 7,549.0 sq.m. parking space and 4,528.1 sq.m. of clubhouse and common facilities area of Neo Metropolis, and the following statistics of both current rented aggregate area and occupancy rate exclude the above area).

According to a valuation by an independent professional valuer, Vigers Appraisal and Consulting Limited (“Vigers”), the valuation of the Properties of GZI REIT as at 30 June 2011 in aggregate was approximately RMB6.1165 billion, representing an increase of approximately RMB0.684 billion or 12.6% over the valuation on 31 December 2010. The increase is attributable to a reduction of the capitalization rates/discount rates and an improvement in performance of the scheme properties. The net assets attributable to Unitholders per unit was approximately RMB4.42, an increase of 18.5% over the net value per unit on 31 December 2010.

The following table summarizes the valuation of each of the Properties as at 30 June 2011 and 31 December 2010:

Property Name	Valuation as at	Valuation as at	Increase %
	30 June 2011 RMB million	31 December 2010 RMB million	
White Horse Building	3,485.0	3,076.5	13.3%
Fortune Plaza	707.0	632.0	11.9%
City Development Plaza	559.0	450.5	24.1%
Victory Plaza	689.5	618.0	11.6%
Neo Meteropolis	<u>676.0</u>	<u>655.5</u>	<u>3.1%</u>
Total	<u>6,116.5</u>	<u>5,432.5</u>	<u>12.6%</u>

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	100.00%	1,105	3,485.0
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	99.64%	75	707.0
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	100.00%	66	559.0
Victory Plaza	Retail shopping center	Tianhe District	2003	27,698.1	27,262.3	99.96%	20	689.5
Neo Meteropolis	Commercial complex	Yuexiu District	2007	<u>61,964.3</u>	<u>49,887.3</u> ⁽¹⁾	<u>100.00%</u> ⁽¹⁾	<u>121</u>	<u>676.0</u>
	Total			<u>223,614.3</u>	<u>211,031.1</u>	<u>99.92%</u>	<u>1,387</u>	<u>6,116.5</u>

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 30 June 2011.

OCCUPANCY RATE STAYED AT HIGH LEVEL

As at 30 June 2011, the overall occupancy rate of the Properties was approximately 99.92%, representing 0.96% higher than 98.96% for the same period last year. In particular, White Horse Building, City Development Plaza and Neo Metropolis achieved an occupancy rate of 100%, and the overall vacancy rate of Fortune Plaza and Victory Plaza was only 0.36% and 0.04% respectively.

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 2011	Occupancy Rate as at 30 June 2010	Percentage Increase Compared to 30 June 2010
White Horse Building	100.00%	99.76%	0.24%
Fortune Plaza	99.64%	98.81%	0.83%
City Development Plaza	100.00%	99.51%	0.49%
Victory Plaza	99.96%	99.96%	0.00%
Neo Metropolis	<u>100.00%</u>	<u>97.27%</u>	2.73%
Total	<u>99.92%</u>	<u>98.96%</u>	0.96%

REVENUE CONTINUED TO INCREASE

For 2011 Interim Period, the Properties recorded revenue of approximately RMB257,546,000, representing a 7.1% increase compared to that of the previous year. In particular, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Neo Metropolis accounted for approximately 59.5%, 11.5%, 9.5%, 9.5% and 10.0% 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	Revenue	Increase	Increase of
	For 2011	For 2010	Compared	Revenue
	Interim	Interim	to 2010	From
	Period	Period	Interim	Properties
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>
White Horse Building	153.1	137.5	15.6	11.3%
Fortune Plaza	29.7	28.8	0.9	3.1%
City Development Plaza	24.5	24.5	0.0	0.0%
Victory Plaza	24.5	24.5	0.0	0.0%
Neo Metropolis	<u>25.8</u>	<u>25.1</u>	<u>0.7</u>	<u>2.8%</u>
Total	<u>257.6</u>	<u>240.4</u>	<u>17.2</u>	<u>7.1%</u>

White Horse Building — sustainable development by strengthening its foundation

During the first half of 2011, White Horse Building continued to strengthen its brand marketing efforts and organized certain group visits to the major apparel distribution center in Northeast China. It successfully held the “White Horse Fashion Market Nationwide Circuit Show”, which received overwhelming response from the local apparel merchants, effectively promoted the White Horse brand further, and also contributed to numerous successful transactions. White Horse Building carried out in-depth and systematic management on customer relationship. Through making visits and holding discussion with over one thousand customers, White Horse Building was fully aware of the operating conditions, suggestions and needs of the tenants, proactively developed targeted measures to prevent loss of customers. Meanwhile, future operating strategies have been formulated pursuant to the information compiled upon the comprehensive customer visits, in order to achieve sound and sustainable development with stable revenue to the Unitholders.

Fortune Plaza and City Development Plaza - best use of opportunities to secure quality customers

The office leasing conditions of Fortune Plaza and City Development Plaza remained stable. Although the expiring leased area accounted for 42% of the aggregate leased area during the year, with strong competition from the new supplies in the central business district (“CBD”) of Pearl River New City at the same time, both of their occupancy rates still maintained a high level of 99.8%. In particular, Fortune Plaza managed to renew the lease with a major tenant, “HSBC Software”, with leased area representing approximately 25% of the total. In addition, upon effective coordination with certain existing quality customers, such as “Citibank”, “Manpower” and “Bureau Veritas”, on expanding their leased area or renewing their leases, resulting in successful retention of some large quality tenants amidst fierce market competition. City Development Plaza significantly brought in new quality customers. During the first half of the year, City Development Plaza successfully entered into an agreement with Yingda Taihe Property Insurance Co. Ltd (“Yingda Property”), a subsidiary of State Grid Corporation of China (“SGCC”), to lease all units on a whole floor.

Victory Plaza — optimizing the tenant mix and diversifying the trade mix

During the first half of the year, the tenant structure of Victory Plaza was significantly optimized. By taking opportunity of the expiring leases of large area of shops on the underground floor, the Manager successfully brought in a large apparel retail brand “Baleno”, as well as a domestic leading education and training institution “METEN”. The previous low rental income of a catering customer on the fifth floor was adjusted favourably. The trade mix of the mall was diversified with a significantly enhanced project rental income. The operations of Victory Plaza have shown a steady upward trend.

Neo Metropolis — active lease management and enhancement in both occupancy rate and rental income

Neo Metropolis actively promoted customer attraction and lease renewal management to optimize its tenant mix. Under the premise of stabilizing the existing quality customers, it also brought in a group of potential customers. Meanwhile, the Manager continuously improved the building facilities and property management services, enhanced the comprehensive competitiveness of the project, which resulted in a constant increase of the property rental income.

Actively propel asset enhancement project, achieve property value preservation and appreciation

In the first half of 2011, the owners or property management companies financed and completed a number of asset enhancement projects, including the renovation of the public areas on the seventh floor, passage ceiling on the fourth floor and modification project on lifts No.3 and No.4 in White Horse Building, the fire prevention systems in City Development Plaza, the hall, plaza and public areas in Fortune Plaza, the lift and public area in City Development Plaza, the public areas in Fortune Plaza and the podium lights in Victory Plaza, which effectively improved the business environment and competitiveness of the projects.

In the second half of 2011, the Manager will focus on the renovation of the double-circuit power supply and the atrium in White Horse Building, as well as the power supply and distribution system in City Development Plaza.

Actively be prepared for acquisition opportunities

In the first half of 2011, the Manager continued the study of commercial properties projects in Yuexiu Property Company Ltd (“YXP”), the controlling unitholder of GZI REIT. Also the Manager took positive actions to continue identifying value-added projects in first tier cities nationwide, such as Shanghai, Beijing and Guangzhou, aiming at increasing the size and improving the mix of the portfolio with a view to diversify investment risks both geographically and of over-reliance of one single property, by expanding the source of operation revenue, and thereby enhancing the long-term benefits of Unitholders.

FINANCIAL REVIEW

Financial Results

Both rental income and net property income were higher than the interim period of 2010. The following is a summary of GZI REIT's financial results during the 2011 Interim Period:

	Six months ended 30 June		
	2011	2010	Increase/ (decrease)
	Unaudited	Unaudited	%
	<i>RMB'000</i>	<i>RMB'000</i>	
Gross income	<u>257,546</u>	<u>240,432</u>	7.1%
Leasing agents' fee	(8,773)	(8,292)	5.8%
Property related taxes (<i>Note 1</i>)	(45,514)	(41,269)	10.3%
Other property expenses (<i>Note 2</i>)	<u>(1,635)</u>	<u>(3,314)</u>	(50.7)%
Total property operating expenses	<u>(55,922)</u>	<u>(52,875)</u>	5.8%
Net property income	<u>201,624</u>	<u>187,557</u>	7.5%
Withholding tax	(23,255)	(21,606)	7.6%
Manager's fees	(14,724)	(14,054)	4.8%
Trustee's fees	(904)	(845)	7.0%
Other trust expenses (<i>Note 3</i>)	<u>(8,559)</u>	<u>(1,839)</u>	365.4%
Total non-property expenses	<u>(47,442)</u>	<u>(38,344)</u>	23.7%
Profit before finance costs, interest income and tax	154,182	149,213	3.3%
Interest income	1,318	1,182	11.5%
Finance income/(cost), net	<u>15,982</u>	<u>(8,647)</u>	(284.8)%
Profit before tax	171,482	141,748	21.0%
Income tax expenses	<u>(12,313)</u>	<u>(3,980)</u>	209.4%
Net profit after tax before fair value gain on investment properties	159,169	137,768	15.5%
Fair value gain on investment properties	<u>680,372</u>	<u>135,467</u>	402.2%
Net profit after tax before transactions with Unitholders	<u>839,541</u>	<u>273,235</u>	207.3%

Note 1 Property related tax includes urban real estate tax, land used right tax, business tax, flood prevention, city development tax, additional education fee 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 RMB257,546,000 (2010: RMB240,432,000), which represents an increase of 7.1%. 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 2011 was approximately RMB207 (2010: RMB196).

Property related tax increased by approximately 10.3% as compared with Interim Period 2010. It is mainly because of an increase of related tax amount due to an increase of gross income and with effective from December 2010, the following kinds of tax are newly adopted : i) city development tax is calculated based on 7% on business tax; ii) additional education fee is calculated based on 3% on business tax and with effect from January 2011, local additional education fee is newly adopted and calculated based on 2% on business tax.

Due to the depreciation of Hong Kong dollar against RMB at the end of mid-2011, a favourable exchange gain in RMB41,129,000 was deducted from the financial cost of HK\$2.1 billion term loan, excluding this favourable adjustment, the actual financial cost for the said HK\$2.1 billion term loan was approximately RMB25,147,000.

Profit after tax before transactions with Unitholders amounted to approximately RMB839,541,000 (2010: RMB273,235,000), which represents 207.3% increase, mainly due to the fair value gain on properties valuation for the 2011 Interim Period being approximately RMB680,372,000, far higher than the amount of approximately RMB135,467,000 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 2011 Interim Period. As at 30 June 2011, a total of 1,065,972,687 units were issued by GZI REIT.

The closing price of GZI REIT as at 30 June 2011 was HK\$4.02 per unit which represents a 30.7% increase compared to the IPO price of HK\$3.075 per unit. GZI REIT's unit price reached a high of HK\$4.40 and a low of approximately HK\$3.91 during the 2011 Interim Period. The volume transacted during the 2011 Interim Period was approximately 175,539,000 units, equivalent to an average of approximately 1,450,000 units daily.

Asset Value

The net assets attributable to the Unitholders per unit as at 30 June 2011 was approximately RMB4.42 (31 December 2010: RMB3.73).

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.

The bank borrowings will be due on 12 November 2011, the Manager is in the process of active negotiation with banks for a new facility arrangement. The Manager is confident in securing the new facility in due course.

As at 30 June 2011, total borrowings of GZI REIT amounted to approximately RMB1,741,325,000 which is approximately HK\$2,093,895,000 (total borrowings are calculated based on bank loan, but excluding capitalization of debt-related expenses), representing approximately 25.8% of total assets of GZI REIT.

As at 30 June 2011, total liabilities of GZI REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB2,032,818,000, representing approximately 30.1% 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 2011 amounted to approximately RMB423,145,000 which is approximately HK\$508,820,000. 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.

REVIEW OF FINANCIAL RESULTS

The results of GZI REIT for the 2011 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 2011 INTERIM REPORT

The interim report of GZI REIT for the six months ended 30 June 2011 will be published on the websites of the Stock Exchange and GZI REIT and will be sent to Unitholders on or before 31 August 2011.

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 2011 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 2011 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 2011 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 Tuesday, 20 September 2011 to Friday, 23 September 2011, 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 4:30 p.m. on Monday, 19 September 2011.

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2011

		30 June 2011	31 December 2010
	<i>Note</i>	Unaudited RMB'000	Audited RMB'000
Non-current assets			
Machinery and tools		88	813
Investment properties		6,116,500	5,432,500
Deferred assets		39,154	42,269
Goodwill		<u>160,324</u>	<u>160,324</u>
		<u>6,316,066</u>	<u>5,635,906</u>
Current assets			
Tax recoverable		2,311	2,226
Prepayments, deposits and other receivables	4	7,042	7,206
Cash and cash equivalents		<u>423,145</u>	<u>378,955</u>
		<u>432,498</u>	<u>388,387</u>
Total assets		<u>6,748,564</u>	<u>6,024,293</u>
Current liabilities			
Rental deposits, current portion		34,922	34,828
Receipts in advance		8,715	9,007
Accruals and other payables		45,845	49,089
Due to related companies		31,536	16,756
Bank borrowings, secured		<u>1,741,325</u>	<u>1,774,748</u>
		<u>1,862,343</u>	<u>1,884,428</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2011

	<i>Note</i>	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Non-current liabilities, other than net assets attributable to Unitholders			
Rental deposits, non-current portion		87,120	83,364
Deferred tax liabilities		<u>83,355</u>	<u>75,511</u>
		<u>170,475</u>	<u>158,875</u>
Total liabilities, other than net assets attributable to Unitholders			
Net assets attributable to Unitholders		<u>4,715,746</u>	<u>3,980,990</u>
Total liabilities		<u>6,748,564</u>	<u>6,024,293</u>
Net assets		<u>—</u>	<u>—</u>
Total equity		<u>—</u>	<u>—</u>
Net current liabilities		<u>(1,429,845)</u>	<u>(1,496,041)</u>
Total assets less current liabilities		<u>4,886,221</u>	<u>4,139,865</u>
Units in issue ('000)		<u>1,065,973</u>	<u>1,065,973</u>
Net assets attributable to Unitholders per unit (RMB)		<u>4.42</u>	<u>3.73</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

		Unaudited	
		Six months ended	
		30 June	
	<i>Note</i>	2011	2010
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue - rental income		257,546	240,432
Operating expenses	5	<u>(103,364)</u>	<u>(91,219)</u>
Operating profit		154,182	149,213
Fair value gain on investment properties		680,372	135,467
Net finance income/(cost) - excluding amounts attributable to Unitholders	6	<u>17,300</u>	<u>(7,465)</u>
Profit before tax and transactions with Unitholders		851,854	277,215
Income tax expenses	7	<u>(12,313)</u>	<u>(3,980)</u>
Profit after tax before transactions with Unitholders		839,541	273,235
Other comprehensive income			
- Cash flow hedges, net of tax		<u>—</u>	<u>—</u>
Total comprehensive income for the period before transactions with Unitholders		<u>839,541</u>	<u>273,235</u>
Change in net assets attributable to Unitholders		<u>839,541</u>	<u>273,235</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011 (CONTINUED)**

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 consolidated 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 consolidated balance sheet and how distributions are disclosed in the consolidated 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 2011**

	Unaudited	
	Six months ended	
	30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Profit after tax before transactions with unitholders	839,541	273,235
Adjustments for the total distributable income ⁽ⁱ⁾		
- Fair value gain on investment properties	(680,372)	(135,467)
- Deferred taxation charged/(credited) to the statement of comprehensive income	5,349	(352)
- Amortisation charges on investment properties under China Accounting Standards	(5,115)	(5,115)
- Exchange gain on bank borrowings	<u>(41,129)</u>	<u>(16,803)</u>
Total distributable income	118,274	115,498
Distributable amount at 1 January	104,750	126,017
Distribution paid during the period ⁽ⁱⁱ⁾	<u>(104,785)</u>	<u>(125,623)</u>
Distributable amount at 30 June	<u>118,239</u>	<u>115,892</u>
Interim distribution declared ⁽ⁱⁱⁱ⁾	<u>118,239</u>	<u>115,871</u>
Distribution per unit, declared ⁽ⁱⁱⁱ⁾	<u>RMB0.1109</u>	<u>RMB0.1087</u>

(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 period.

(ii) A distribution of RMB0.0983 per unit, totaling RMB104,785,000 (equivalent to HK\$124,186,000), was paid to unitholders on 19 May 2011.

(iii) An interim distribution in respect of six months ended 30 June 2011 of RMB0.1109 (equivalent to HK\$0.1339) per unit, totaling RMB118,239,000 (equivalent to HK\$142,716,000) was declared by the Board of the Manager on 26 July 2011.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	Unaudited	
	Six months ended	
	30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	173,280	160,041
Interest paid	(17,441)	(17,396)
China enterprise income tax paid	<u>(4,554)</u>	<u>(4,447)</u>
Net cash generated from operating activities	<u>151,285</u>	<u>138,198</u>
Cash flows from investing activities		
Additions of investment properties	(3,628)	(2,533)
Interest received	<u>1,318</u>	<u>1,182</u>
Net cash used in investing activities	<u>(2,310)</u>	<u>(1,351)</u>
Cash flows from financing activities		
Distribution paid	<u>(104,785)</u>	<u>(125,623)</u>
Net cash used in financing activities	<u>(104,785)</u>	<u>(125,623)</u>
Net increase in cash and cash equivalents	44,190	11,224
Cash and cash equivalents at beginning of the period	<u>378,955</u>	<u>361,266</u>
Cash and cash equivalents at end of the period	<u>423,145</u>	<u>372,490</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 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.

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 26 July 2011.

2 Basis of preparation

This condensed consolidated interim financial information for the six-month period ended 30 June 2011 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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

At 30 June 2011, the Group’s current liabilities exceed its current assets by RMB1,429,845,000 (31 December 2010: RMB1,496,041,000) mainly as the bank borrowings of RMB1,741,325,000 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 condensed consolidated interim financial information on a going concern basis. This basis assumes that the Group is able to refinance the bank borrowings before or upon the due date.

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 2010, 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 standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

Amendment to HKAS 34 ‘Interim financial reporting’ is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transaction.

The following interpretations, amendments and revision to existing standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of rights issues
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
Amendment to HK(IFRIC)-Int 14	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments, except for amendment to HKAS 34 “Interim financial reporting”, are not expected to have a significant financial impact on the results 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 will adopt the above new standards, amendments to standards and interpretations when they become effective.

HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets ²
HKFRS 1 (Amendment)	Disclosures — Severe hyperinflation and removal of fixed dates for first-time adopters ¹
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets ¹
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ³
HKFRS 11	Joint arrangements ³
HKFRS 12	Disclosure of interests in other entities ³
HKFRS 13	Fair value measurements ³

¹ effective for annual periods beginning on or after 1 July 2011

² effective for annual periods beginning on or after 1 January 2012

³ effective for annual periods beginning on or after 1 January 2013

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	
	2011 RMB'000	2010 RMB'000
Property management fee (i)	8,773	8,292
Urban real estate tax	30,556	28,568
Business tax, flood prevention, city development and additional education fee	14,628	12,195
Withholding tax (ii)	23,255	21,606
Depreciation of property, plant and equipment	725	1,219
Asset management fee	14,724	14,054
Trustee's remuneration	904	845
Valuation fee	123	229
Legal and professional fee	2,905	472
Auditor's remuneration	757	790
Bank charges	22	53
Others	<u>5,992</u>	<u>2,896</u>
Total operating expenses	<u>103,364</u>	<u>91,219</u>

Notes:

- (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 and interest income at a rate of 10%.

6 **Net finance income/(cost) - excluding amounts attributable to unitholders**

	Unaudited	
	Six months ended	
	30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from bank deposits	1,318	1,182
Interest expense for bank borrowings	(17,441)	(17,396)
Loan transaction costs for bank borrowings	(7,706)	(8,054)
Net foreign exchange gains	<u>41,129</u>	<u>16,803</u>
Net finance income/(cost)	<u><u>17,300</u></u>	<u><u>(7,465)</u></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% (2010: 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	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
- China enterprise income taxation	4,469	4,332
Deferred income tax	<u>7,844</u>	<u>(352)</u>
	<u><u>12,313</u></u>	<u><u>3,980</u></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 2011 is 25% (2010 : 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 2011 is approximately RMB0.7876 (2010: RMB0.2563). The calculation of earnings per unit is based on profit after tax before transactions with Unitholders of approximately RMB839,541,000 (2010: RMB273,235,000) and on average units in issue of 1,065,973,000 units (2010: 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 2011.

9 Future minimum rental receivables

At 30 June 2011, the Group had future minimum rental receivables under non-cancellable leases as follows:

	Unaudited 30 June 2011 <i>RMB'000</i>	Audited 31 December 2010 <i>RMB'000</i>
Not later than one year	494,995	476,321
Later than one year and not later than five years	792,589	912,250
Later than five years	<u>23,660</u>	<u>2,872</u>
	<u>1,311,244</u>	<u>1,391,443</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, 26 July 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.