



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 2008

GZI Real Estate Investment Trust (“GZI REIT”) is a Hong Kong real estate investment trust constituted by a trust deed dated 7 December 2005 as amended by a first supplemental deed dated 25 March 2008 (collectively the “Trust Deed”), and made 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 (“Stock Exchange”) on 21 December 2005 (“Listing Date”).

GZI REIT’s property portfolio (“Properties”) comprises five commercial properties located in Guangzhou and GZI REIT is the first publicly listed real estate investment trust in the world which invests in the People’s Republic of China (“PRC”).

TOTAL DISTRIBUTABLE INCOME

The total distributable income (“Total Distributable Income”) (as defined in the Trust Deed) of GZI REIT to the unitholders of GZI REIT (“Unitholders”) for the six-month period from 1 January 2008 to 30 June 2008 (“2008 Interim Period”) amounted to approximately HK\$131,552,000 (2007: HK\$110,735,000), representing distribution per unit of HK\$0.1234 (2007: HK\$0.1107).

Note: Total Distributable Income as defined in the Trust Deed is the amount calculated by the Manager as representing the consolidated audited or reviewed profit after tax of GZI REIT as adjusted for accounting purposes to eliminate the effects of certain accounting adjustments.

DISTRIBUTION

In accordance with the Trust Deed, GZI REIT will 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 an interim distribution to Unitholders for the 2008 Interim Period of HK\$0.1234 (2007: HK\$0.1107) per unit.

The 2008 interim distribution amounting to approximately HK\$131,541,000 (2007: HK\$110,700,000), in aggregate, will be effected on or about 30 October 2008 and be payable to the Unitholders whose names appear on the register of Unitholders on 28 October 2008.

The Manager confirms that the distribution referred to the 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.

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 income statement for the relevant year or period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2008, GZI REIT made remarkable achievements in investment and acquisition and property operation. Its property scale was further enlarged, operating results steadily improved, and property competitiveness further strengthened.

PROPERTY PORTFOLIO

As at 30 June 2008, GZI REIT's property portfolio consists of five properties - White Horse Building Units, Fortune Plaza Units, City Development Plaza Units, Victory Plaza Units and Yue Xiu Neo Metropolis Plaza Units. The aggregate area of ownership was approximately 222,615.3 sq.m., representing a 38.57% increase from 160,651.0 sq.m. for the same period last year; total rentable area was approximately 210,032.1 sq.m., representing a 31.15% increase from approximately 160,144.8 sq.m. for the same period last year.

According to an interim valuation by the independent professional valuer, Colliers International (Hong Kong) Ltd ("Colliers") the valuation of the Properties of GZI REIT as at 30 June 2008 amounted to HK\$5,839,800,000, of which the original four scheme properties had a total capitalisation of HK\$5,060,600,000, representing an increase (including exchange gains during the period) of HK\$365,100,000 or 7.7% over the valuation on 31 December 2007. As at 30 June 2008, the value of Yue Xiu Neo Metropolis Plaza Units was approximately HK\$779,200,000. The Net assets attributable to unitholders per unit was HK\$3.86, 9.3% higher than the net assets attributable to unitholders per unit as at 31 December 2007.

The following table summarizes the valuation of each of the Properties as at 30 June 2008 and 31 December 2007:

	Valuation as at 30 June 2008	Valuation as at 31 December 2007	Increase/ decrease (-)
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>%</i>
White Horse Building Units	3,215.4	2,990.8	7.5%
Fortune Plaza Units	696.9	642.7	8.4%
City Development Plaza Units	503.7	457.2	10.2%
Victory Plaza Units	644.6	604.8	6.6%
Yue Xiu Neo Metropolis Plaza Units	<u>779.2</u>	N/A	N/A
Total	<u><u>5,839.8</u></u>	<u><u>4,695.5</u></u>	<u><u>24.3%</u></u>

The following table shows particulars of the properties:

Property	Type	Location	Year of Completion	Area of Ownership (sq.m.)	Total Rentable area (sq.m.)	Occupancy Rate⁽²⁾	No. of Lease Contract⁽²⁾	Appraised Value⁽²⁾ (HK\$ million)
White Horse Building Units	Wholesale shopping center	Yuexiu District	1990	50,199.3	50,128.9	99.5%	1,286	3,215.4
Fortune Plaza Units	Grade A office	Tianhe District	2003	40,356.2	40,356.2	99.5%	76	696.9
City Development Plaza Units	Grade A office	Tianhe District	1997	42,397.4	42,397.4	98.8%	66	503.7
Victory Plaza Units	Retail shopping center	Tianhe District	2003	27,698.1	27,262.3	97.8%	20	644.6
Yue Xiu Neo Metropolis Plaza Units	Commercial complex	Yuexiu District	2007	61,964.3	49,887.3 ⁽¹⁾	97.1% ⁽¹⁾	98	779.2
Total				<u><u>222,615.3</u></u>	<u><u>210,032.1</u></u>	<u><u>98.6%</u></u>	<u><u>1,546</u></u>	<u><u>5,839.8</u></u>

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

(2) As at 30 June 2008.

Occupancy Rate stayed at high levels

As at 30 June 2008, the overall occupancy rate of the Properties was approximately 98.6%, representing a 0.6 percentage point higher than 98.0% for the same period last year. Without taking into account the newly acquired Yue Xiu Neo Metropolis Plaza Units, the occupancy rate of the original four scheme properties were approximately 99.0%, being a record high. The occupancy rate for Fortune Plaza Units and City Development Plaza Units remained stable at 99.5% and 98.8% respectively, while that of Victory Plaza Units increased significantly to 97.8% from 92.0% for the same period last year. As for Yue Xiu Neo Metropolis Plaza Units, after one month since its acquisition, the occupancy rate of the building increased significantly to 97.1%, compared to 88.8% as at the end of May 2008.

The high occupancy rate was due on one hand to the favorable external economic environment of Guangzhou and the PRC, coupled with the manager's right operation strategies and quality management.

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	Occupancy	Percentage
	Rate as at 30 June 2008	Rate as at 30 June 2007	Increase/ (Decrease) Compared to 30 June 2007
White Horse Building Units	99.5%	99.3%	0.2%
Fortune Plaza Units	99.5%	99.6%	(0.1%)
City Development Plaza Units	98.8%	98.7%	0.1%
Victory Plaza Units	97.8%	92.0%	5.8%
Yue Xiu Neo Metropolis Plaza Units	97.1%	N/A	N/A
Total	98.6%	98.0%	0.6%

Operating income continued to increase

For 2008 Interim Period, the Properties recorded an operating income of HK\$232,121,000, representing a 18.4% increase compared to that of the previous year. Without taking into account of the newly acquired property, Yue Xiu Neo Metropolis Plaza Units, the comparable total operating income increased 16.1% over the same period last year.

White Horse Building Units, Fortune Plaza Units, City Development Plaza Units, Victory Plaza Units and Yue Xiu Neo Metropolis Plaza Units accounted for approximately 63.3%, 12.8%, 11.5%, 10.5% and 1.9% respectively of the total operating income of the Properties.

No bad debt was recorded during this Interim Period.

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

Name of Property	Operating Income for 2008 Interim Period (HK\$ million)	Operating Income for 2007 Interim Period (HK\$ million)	Increase/ Decrease Compared to 2007 Interim Period (HK\$ million)	Increased Percentage of Operating Income from Property
White Horse Building Units	146.9	131.8	15.1	11.5%
Fortune Plaza Units	29.6	24.9	4.7	18.9%
City Development Plaza Units	26.7	21.9	4.8	21.9%
Victory Plaza Units	24.4	17.4	7.0	40.2%
Yue Xiu Neo Metropolis Plaza Units (Note 1)	<u>4.5</u>	<u>—</u>	<u>4.5</u>	<u>—</u>
Total	<u><u>232.1</u></u>	<u><u>196.0</u></u>	<u><u>36.1</u></u>	<u><u>18.4%</u></u>

Note 1 Only one-month operating income is obtained as the acquisition of Yue Xiu Neo Metropolis Plaza is completed on 1 June 2008.

White Horse Building Units: Continued to consolidate its leading position in the fashion wholesale industry

As a leader in the domestic fashion wholesale industry, White Horse Building has been awarded for many times one of the top 10 fashion markets in China by relevant authorities. During the first half of 2008, the Manager has improved the tenant selection system through a comprehensive assessment of the research and production strength, brand recognition, business categories and operating style of tenants, whereby we introduced premium tenants that suited the market positioning of White Horse Building and strengthened our core competitiveness in the market. At the same time, we have been more committed to customer service and marketing through organizing annual premium brand prize in honor of White Horse and selection of valued tenants. Consequently, White Horse Building's influence was comprehensively enhanced and its leading position in the domestic fashion wholesale industry was further consolidated.

Fortune Plaza Units and City Development Plaza Units: strengthened renewal management, enhanced rental rates

Fortune Plaza and City Development Plaza are notable Grade A office buildings in Tianhe CBD District. Currently, their occupancy rate is nearly 100%. The Manager was optimizing tenant portfolio and upgrading rental rates mainly through management of renewal activities and tenant portfolio. For the first half of 2008, the renewal area of two office properties of Fortune Plaza Units and City Development Plaza Units was approximately 15,000 sq.m., representing a 71.0% renewal rate, while the renewed rental rates increased by 7.3% and 9.3% on average. On the other hand, the Manager has introduced new premium tenants and satisfied the demand of original tenants for expanding leased areas on the ground of some units with leases expired or earlier terminated. The newly leased areas of Fortune Plaza Units and City Development Plaza Units were approximately 11,000 sq.m., with a 5.5% and 18.0% increase in rental rates respectively over the previous leases. After adjustments, as at the end of June 2008, the Fortune top 500 companies in the world accounted for 45% of the leased area of Fortune Plaza Units, while 44% leased area of City Development Plaza were leased by financial enterprises. The tenant structure has significantly improved, with average rental unit price increased by approximately 6.7% and 12.5% over the same period last year.

Victory Plaza Units: Introduced new tenants, strengthened operating characteristics

For Victory Plaza Units, in the first half of 2008, the Manager has actively introduced Maxim's Starbucks Coffee Bar, well-known female's fashion life home and popular catering tenants when the external operating environment was comprehensively

improved. The newly leased area amounted to approximately 1,640 sq.m., with over 90% increase in rental rates compared to previous leases. After introduction of new tenants, the tenant mix of Victory Plaza Units became more reasonable with increasing brand tenants. Victory Plaza has become a high-end shopping mall focusing on sales of electrical appliance and featuring shopping, catering and leisure activities, occupying a niche in the Tianhe retail business circle. With enhanced market competitiveness, average rental income per square metre in June 2008 is RMB122.65 (June 2007: RMB106.23) which represent an increase of approximately 15.4%.

Yue Xiu Neo Metropolis Plaza Units — Increased marketing efforts, strived to increasing occupancy rate

Yue Xiu Neo Metropolis Plaza Units, a commercial complex newly acquired on 1 June 2008, is located above the underground metro station, Ximenkou, Zhongshanliu Road, Guangzhou. As disclosed in the circular dated 4 February 2008, the occupancy rate of the units was only 75.1% for October 2007. To ensure that the leasing operation maintained a good upward momentum during the period of acquisition and safeguard the interests of all parties thereto, the Manager formulated leasing policies together with the original owner upon active communication and close cooperation. With increased marketing efforts and enlarged marketing teams, the occupancy rate increased to 97.1% by the end of June 2008. In addition, the Manager has vigorously strengthened supervision of property management and service quality of the building. As a result, the property management standard of Yue Xiu Neo Metropolis Plaza was effectively enhanced, and was awarded “Guangzhou’s Model Building for Quality Property Management” in June 2008.

Implemented assets enhancement program, strengthened competitiveness of the Properties

Assets enhancement is an important means to maintain and improve competitiveness of properties.

White Horse Building Units is the focus of assets enhancement. In the first half of 2008, the Manager conducted renovation to the ground and ceiling of the lobby on the first floor during spring festival, effectively upgrading the shopping mall. Re-planning of some accesses on the second floor increased the pedestrian flow and the value of related shops. To shape a comfortable operating environment and to provide favourable conditions for future increased rentals, the Manager planned to invest RMB9.6 million to install new power supply system of White Horse Building Units for expansion of the power capacity. The works are expected to complete in October 2008.

As for Victory Plaza units and other projects, Guangzhou Yicheng Property Management Ltd., under the supervision of the Manager, has formulated a comprehensive plan for repair and maintenance and reasonable application of property management fees. Planned repair and maintenance were carried out to the building according to the requirements to upgrade the hardware of the building.

Successfully implemented new acquisitions, expanded assets scale

In the first half of 2008, the Manager have made significant breakthrough in investment and acquisition.

On 1 June 2008, GZI REIT formally completed an acquisition of Yue Xiu Neo Metropolis Plaza Units, with a total gross floor area of 61,964 sq.m., from GZI (a substantial unitholder of GZI REIT) at a consideration of HK\$677.3 million. As a result of this acquisition, the property portfolio of GZI REIT increased by 38.5% to a total gross floor area of 222,615 sq.m. Please refer to the announcement of the Manager dated 2 June 2008 for further details.

Furthermore, on 14 July 2008, GZI REIT, through Guangzhou Jieyacheng Properties Co Ltd, successfully won the bid at a public auction for a unit on the 17th floor of Fortune Plaza (with a gross floor area of 999.0119 sq.m.) at a consideration of RMB15.50 million. Upon completion of the acquisition, the rental area of Fortune Plaza Units will increase to 41,355.2 sq.m. from 40,356.2 sq.m. while GZI REIT's ownership percentage of Fortune Plaza (by total gross floor area) will increase to approximately 51.4% from approximately 50.2%. Please refer to the announcement of the Manager dated 15 July 2008 for further details.

FINANCIAL REVIEW

Distribution Per Unit

Distribution to Unitholders for the 2008 Interim Period of HK\$0.1234 (2007: HK\$0.1107) per unit represents a yield of approximately 4.38% (2007: 3.59%) per unit based on the closing price of HK\$2.82 per unit as at 30 June 2008. This represents an annualized distribution yield of 8.75%.

Using the initial public offer ("IPO") price of HK\$3.075 per unit, the distribution per unit represents a yield of 4.02%.

Unit Activity

As part payment of the consideration for the acquisition of Yue Xiu Neo Metropolis Plaza Units, 65,972,687 units were issued on 2 June 2008. As at 30 June 2008, a total of 1,065,972,687 units were in issue. The closing price as at 30 June 2008 was HK\$2.82 per unit which represents a 8.3% decrease compared to the IPO price of HK\$3.075 per unit.

GZI REIT's unit price reached a high of HK\$3.30 and a low of approximately HK\$2.75 during the 2008 Interim Period. The volume transacted during the 2008 Interim Period was 199,416,426 units, equivalent to an average of 1,675,768 units daily.

Asset Value

The net assets attributable to the Unitholders per unit as at 30 June 2008 was approximately HK\$3.86 (31 December 2007: HK\$3.53), which represents an increase of 9.3%. The total net tangible assets attributable to Unitholders per unit as at 30 June 2008 was approximately HK\$3.69 (31 December 2007: HK\$3.37), which represents an increase of 9.5%.

Financial Results

Both rental income and net property income were higher than the interim period of 2007. The following is a summary of GZI REIT's financial results during the 2008 Interim Period:

	Six months ended 30 June		% of
	2008	2007	Increase/ (decrease)
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	
Gross income	<u>232,121</u>	<u>196,048</u>	18.40%
Leasing agents' fee	(7,810)	(6,524)	19.71%
Property related taxes	(18,022)	(15,309)	17.72%
Other property expenses (<i>Note 1</i>)	<u>(2,126)</u>	<u>(2,026)</u>	4.94%
Total property operating expenses	<u>(27,958)</u>	<u>(23,859)</u>	17.18%
Net property income	<u>204,163</u>	<u>172,189</u>	18.57%
Withholding tax	(22,949)	(18,758)	22.34%
Manager's fees	(13,423)	(11,883)	12.96%
Trustee's fees	(799)	(702)	13.82%
Other trust expenses (<i>Note 2</i>)	<u>(2,665)</u>	<u>(7,874)</u>	(66.15)%
Total non-property expenses	<u>(39,836)</u>	<u>(39,217)</u>	1.58%
Profit before finance costs, interest income and tax	164,327	132,972	23.58%
Interest income	2,792	3,657	(23.65)%
Finance costs - excluding amounts attributable to Unitholders	<u>(29,080)</u>	<u>(25,894)</u>	12.3%
Profit before tax	138,039	110,735	24.66%
Income tax expenses	<u>(11,127)</u>	<u>—</u>	N/A
Net Profit after tax before fair value gains on investment properties	126,912	110,735	14.61%
Fair value gains on investment properties	<u>99,896</u>	<u>—</u>	N/A
Net Profit after tax before transactions with Unitholders	<u>226,808</u>	<u>110,735</u>	104.82%

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

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

Profit after tax before transactions with Unitholders amounted to approximately HK\$226,808,000 (2007: HK\$110,735,000), which represents 104.82% increase.

Gross revenue and net property income were approximately HK\$232,121,000 (2007: HK\$196,048,000) and approximately HK\$204,163,000 (2007: HK\$172,189,000) respectively, which represents an increase of 18.40% and 18.57% respectively while comparing with 2007.

Property operating expenses increased by 17.18% as compared with 2007.

Other trust expenses are decreased by approximately HK\$5,209,000 as compared with 2007. This is mainly attributable to the exchange gain and the decrease in professional fees for services rendered by legal advisers.

PERFORMANCE TABLE

The following table shows the performance of GZI REIT during the 2008 Interim Period and the 2007 Interim Period:

	Six months ended 30 June	
	2008	2007
Distributions per unit (<i>Note a</i>)	HK\$0.1234	HK\$0.1107
Earnings per unit	HK\$0.2245	HK\$0.1107
Net assets attributable to Unitholders value per unit	HK\$3.86	HK\$3.335
Net tangible assets attributable to Unitholders per unit	HK\$3.69	HK\$3.171
Offer price per unit upon listing	HK\$3.075	HK\$3.075
Closing price per unit	HK\$2.820	HK\$3.080
Distribution yield per unit based on offer price	4.02%	3.60%
Distribution yield per unit based on closing price	4.38%	3.59%
Number of units in issue	1,065,972,687 units	1,000,000,000 units
Highest premium of traded price to net assets attributable to Unitholders	—	—
Highest discount of traded price to net assets attributable to Unitholders	HK\$1.110	HK\$0.335
Total assets	HK\$6,446 million	HK\$4,862 million
Total liabilities, excluding net assets attributable to Unitholders	HK\$2,328 million	HK\$1,527 million
Net assets attributable to Unitholders	HK\$4,118 million	HK\$3,335 million
Net tangible assets (net assets attributable to Unitholders minus goodwill)	HK\$3,935 million	HK\$3,171 million
Total borrowings as a percentage of gross assets (<i>Note b</i>)	27%	26%
Gross liabilities as a percentage of gross assets (<i>Note c</i>)	36%	31%
Net property income	HK\$204.163 million	HK\$172.189 million

Note a: This represents a distribution of 100% on Total Distributable Income for each period. Total Distributable Income as defined in the Trust Deed is the amount calculated by the Manager as representing the consolidated audited or reviewed profit after tax of GZI REIT as adjusted for accounting purposes to eliminate the effects of accounting adjustments.

Note b: Total borrowings is calculated based on bank loan, but excluding capitalisation of debt-related expenses.

Note c: Gross liabilities is calculated based on total liabilities, but excluding capitalisation of debt-related expenses.

CAPITAL STRUCTURE

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 interest rate and 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.

Metrogold Development Limited (Metrogold), a special purpose vehicle of GZI REIT holding indirectly the Yue Xiu Neo Metropolis Plaza Units, entered into a facility agreement with Hong Kong and Shanghai Banking Corporation on 1 June 2008 for a floating rate bridge loan facility of HK\$485 million which was fully drawn down on 2 June 2008. The bank borrowings are secured and the security package includes, a legal mortgage over the shares of Metrogold, a first fixed charge over all bank accounts and a first fixed and floating charge over all other assets.

The bank borrowings and the swaps contracts will be due on 21 December 2008, the Manager has started negotiating with banks for a new facility arrangement. Under the present situation, the Manager believes that there should be no impediment for successful financing.

Total borrowings (excluding debt-related expenses) as a percentage of value of gross assets is 27% whilst total liabilities (excluding debt-related expenses) as a percentage of value of gross assets is 36%.

REVIEW OF FINANCIAL RESULTS

The results of GZI REIT for the 2008 Interim Period have been reviewed by the Disclosures Committee and Audit Committee of the Manager and by the GZI REIT’s auditors 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 2008 INTERIM REPORT

The interim report of GZI REIT for the six months ended 30 June 2008 will be published on the websites of the Stock Exchange and GZI REIT and will be sent to Unitholders on or before 31 August 2008.

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 2008 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

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 Ltd (GZI), a major unitholder of GZI REIT, when GZI disposes of the same. We proposed to acquire 72.3% of the total floor area of Yue Xiu's Neo Metropolis Plaza with a total area of approximately 61,964 square meters at a consideration of HK\$677.3 million. The proposal was approved by the Unitholders at an Extraordinary General Meeting held on 26 February 2008. The completion of the acquisition took place on 1 June 2008. The consideration payable in relation to the acquisition of approximately HK\$677.3 million (subject to adjustment payment to be made in accordance with the sale and purchase agreement) was satisfied by 1) approximately HK\$203.2 million by way of issue and allotment of the 65,972,687 Consideration Units on 2 June 2008 and 2) balance approximately HK\$474.1 million by way of payment in cash on 2 June 2008 as funded by a floating rate bridging loan facility. For details of the acquisition, please refer to the circular dispatched on 4 February 2008 and the announcement published on 2 June 2008.

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 2008 Interim Period, the Manager has complied with the provisions of the Compliance Manual for its management of GZI REIT.

NEW UNITS ISSUED

During the 2008 Interim Period, a total of 65,972,687 new Units were issued in the following manner:

On 2 June 2008, 65,972,687 new units were issued as consideration units to a wholly-owned subsidiary of Guangzhou Investment Company Ltd at the agreed price of HK\$3.08 to form part of the acquisition cost of Yue Xiu’s Neo Metropolis Plaza units. For details, please refer to the circular dispatched on 4 February 2008.

CLOSURE OF REGISTER OF UNITHOLDERS

The register of Unitholders will be closed from Wednesday, 22 October 2008 to Tuesday, 28 October 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, of 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Tuesday, 21 October 2008.

FINANCIAL STATEMENTS

The directors of the Manager are pleased to announce the condensed consolidated interim results of GZI REIT and its subsidiaries for the period from 1 January 2008 to 30 June 2008 as follows:-

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 JUNE 2008

	Note	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		11,331	8,897
Investment properties		5,839,835	4,695,536
Deferred assets		36,569	21,123
Goodwill		<u>182,243</u>	<u>169,835</u>
		<u>6,069,978</u>	<u>4,895,391</u>
Current assets			
Tax recoverable		867	—
Prepayments, deposits and other receivables	4	6,776	6,277
Cash and cash equivalents		<u>368,044</u>	<u>290,153</u>
		<u>375,687</u>	<u>296,430</u>
Total assets		<u>6,445,665</u>	<u>5,191,821</u>
Current liabilities			
Rental deposits, current portion		11,044	12,716
Receipts in advance		15,258	13,809
Accruals and other payables		69,689	34,791
Derivative financial instruments	5	267,681	221,945
Bank borrowings, secured		1,769,341	1,280,605
Due to related companies		<u>15,503</u>	<u>15,463</u>
		<u>2,148,516</u>	<u>1,579,329</u>

	Note	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion		98,855	77,948
Deferred tax liabilities		<u>80,819</u>	<u>—</u>
		<u>179,674</u>	<u>77,948</u>
Total liabilities, other than net assets attributable to unitholders			
		2,328,190	1,657,277
Net assets attributable to unitholders		<u>4,117,475</u>	<u>3,534,544</u>
Total liabilities		<u>6,445,665</u>	<u>5,191,821</u>
Net assets		<u>—</u>	<u>—</u>
Equity			
Hedging reserve		(34,511)	(83,841)
Retained earnings		<u>34,511</u>	<u>83,841</u>
Total equity		<u>—</u>	<u>—</u>
Net current liabilities		<u>(1,772,829)</u>	<u>(1,282,899)</u>
Total assets less current liabilities		<u>4,297,149</u>	<u>3,612,492</u>
Units in issue ('000)		<u>1,065,973</u>	<u>1,000,000</u>
Net assets attributable to unitholders per unit		<u>HK\$3.86</u>	<u>HK\$3.53</u>

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	Note	Six months ended 30 June 2008 (Unaudited) HK\$'000	Six months ended 30 June 2007 (Unaudited) HK\$'000
Revenue — rental income		232,121	196,048
Operating expenses	6	<u>(67,794)</u>	<u>(63,076)</u>
Operating profit		164,327	132,972
Fair value gain on investment properties		99,896	—
Interest income from bank deposits		2,792	3,657
Finance costs — excluding amounts attributable to unitholders	7	<u>(29,080)</u>	<u>(25,894)</u>
Profit before tax and transactions with unitholders		237,935	110,735
Income tax expenses	8	<u>(11,127)</u>	<u>—</u>
Profit after tax before transactions with unitholders		<u>226,808</u>	<u>110,735</u>
Change in net assets attributable to unitholders		276,138	124,751
Amount arising from cash flow hedging reserve movement		<u>(49,330)</u>	<u>(14,016)</u>
		<u>226,808</u>	<u>110,735</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.

- (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 9.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	Hedging reserve HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
Balance at 1 January 2007	(35,608)	35,608	—
Change in fair value of cash flow hedges	14,016	—	14,016
Result for the period	<u>—</u>	<u>(14,016)</u>	<u>(14,016)</u>
Balance at 30 June 2007	<u>(21,592)</u>	<u>21,592</u>	<u>—</u>
Balance at 1 January 2008	(83,841)	83,841	—
Change in fair value of cash flow hedges	49,330	—	49,330
Result for the period	<u>—</u>	<u>(49,330)</u>	<u>(49,330)</u>
Balance at 30 June 2008	<u>(34,511)</u>	<u>34,511</u>	<u>—</u>

**DISTRIBUTION STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	Note	Six months ended 30 June 2008 (Unaudited) HK\$'000	Six months ended 30 June 2007 (Unaudited) HK\$'000
Profit after tax before transactions with unitholders		226,808	110,735
Adjustments for the total distributable income (i)			
- Fair value gain on investment properties		(99,896)	—
- Deferred taxation charged to the income statement	8	10,177	—
- Exchange gain on bank borrowings		<u>(5,537)</u>	<u>—</u>
Total distributable income		131,552	110,735
Distributable amount at 1 January		115,193	103,426
Distribution paid during the period (ii)		<u>(115,100)</u>	<u>(103,400)</u>
Distributable amount at 30 June		<u>131,645</u>	<u>110,761</u>
Interim distribution declared		<u>131,541</u>	<u>110,700</u>
Distribution per unit, declared		<u>HK\$0.1234</u>	<u>HK\$0.1107</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\$0.1151 per Unit, totaling HK\$115,100,000, was paid to unitholders on 20 May 2008.

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	Note	Six months ended 30 June 2008 (Unaudited) HK\$'000	Six months ended 30 June 2007 (Unaudited) HK\$'000
Cash flows from operating activities			
Cash generated from operations		179,113	134,104
Interest paid		(23,663)	(21,674)
Income tax paid		<u>(2,545)</u>	<u>—</u>
Net cash flows from operating activities		<u>152,905</u>	<u>112,430</u>
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	10	(452,045)	—
Purchase of property, plant and equipment		(3,244)	(365)
Additions of investment properties		(1,135)	(1,634)
Interest received		<u>2,792</u>	<u>3,657</u>
Net cash flows from investing activities		<u>(453,632)</u>	<u>1,658</u>
Cash flows from financing activities			
Proceeds from bank borrowings, net of transaction costs		483,832	—
Distribution paid		<u>(115,100)</u>	<u>(103,400)</u>
Net cash flows from financing activities		<u>368,732</u>	<u>(103,400)</u>
Net increase in cash and cash equivalents		68,005	10,688
Exchange difference		9,886	7,954
Cash and cash equivalents at beginning of the period		<u>290,153</u>	<u>253,846</u>
Cash and cash equivalents at end of the period		<u><u>368,044</u></u>	<u><u>272,488</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 Lockhart Road, Wanchai, Hong Kong.

GZI REIT was listed on The Stock Exchange of Hong Kong Limited. This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Manager on 25 August 2008.

2 Basis of preparation

This condensed consolidated interim financial information for the six-month period ended 30 June 2008 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 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

At 30 June 2008, the Group’s current liabilities exceed its current assets by HK\$1,772,829,000 (31 December 2007: HK\$1,282,899,000) mainly as the bank borrowings of HK\$1,769,341,000 and the derivative financial instruments of HK\$267,681,000 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 2007, as described in those annual financial statements.

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

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not relevant for the Group.

- HK(IFRIC) - Int 11, 'HKFRS 2 — Group and treasury share transactions';
- HK(IFRIC) - Int 12, 'Service concession arrangements';
- HK(IFRIC) - Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKAS 1 (Revised), 'Presentation of financial statements', effective for annual periods beginning on or after January 2009;
- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009;
- HKAS 23 (Revised), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009;
- HKFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009;
- HKFRS 3 (Revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009;
- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009;
- HK(IFRIC) — Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008.

The Group will adopt the above when they become effective. The Manager is in the process of assessing the impact of adopting the above to the consolidated financial statements of the Group.

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 Renminbi.

5 Derivative financial instruments

	Six months ended 30 June 2008 (Unaudited) HK\$'000	Six months ended 30 June 2007 (Unaudited) HK\$'000
Interest rate and currency swaps - cash flow hedges		
Beginning of the period	221,945	77,578
Fair value losses	30,728	17,167
Exchange difference	<u>15,008</u>	<u>3,058</u>
End of the period	<u>267,681</u>	<u>97,803</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 hedged 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 30 June 2008 were US\$165,000,000 (31 December 2007: US\$165,000,000).

At 30 June 2008, the fixed interest rates for the bank borrowings varied from 3.18% to 3.28% and the floating rate was LIBOR plus 1.35%. The contract reference exchange rate for the bank borrowings was 8.07847 Renminbi per one United States dollar and the spot rate was 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 30 June 2008 will be continuously released to the income statement until the repayment of the secured bank borrowings.

6 Expenses by nature

	Six months ended 30 June 2008 (Unaudited) HK\$'000	Six months ended 30 June 2007 (Unaudited) HK\$'000
Property management fee (i)	7,810	6,524
Urban real estate tax	5,713	5,219
Business tax and flood prevention fee	11,810	9,979
Withholding tax (ii)	22,949	18,758
Depreciation of property, plant and equipment	1,355	1,122
Asset management fee	13,423	11,883
Trustee's remuneration	799	702
Valuation fee	100	100
Legal and professional fee	1,000	1,738
Auditor's remuneration	825	750
Bank charges	14	31
Others	<u>1,996</u>	<u>6,270</u>
Total operating expenses	<u>67,794</u>	<u>63,076</u>

Note:

- (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.

7 Finance costs

	Six months ended 30 June 2008 (Unaudited) HK\$'000	Six months ended 30 June 2007 (Unaudited) HK\$'000
Interest expense for bank borrowings	29,019	25,753
Net foreign exchange transaction gains	(79,997)	(31,042)
Transfer from hedging reserve		
— interest rate and currency swaps: cash flow hedge	<u>80,058</u>	<u>31,183</u>
	<u>29,080</u>	<u>25,894</u>

8 Income tax expenses

Since the newly acquired 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% in the current period.

For other subsidiaries with operations in PRC, 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.

	Six months ended 30 June 2008 (Unaudited) HK\$'000
Current income tax	
— Hong Kong profits tax	—
— China enterprise income taxation	950
Deferred income tax	<u>10,177</u>
	<u>11,127</u>

9 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 2008 is approximately HK\$0.2245 (June 2007: HK\$0.1107). The calculation of earnings per unit is based on profit after tax before transactions with unitholders of approximately HK\$226,808,000 (2007: HK\$110,735,000) and on average units in issue of 1,010,512,131 units (2007: 1,000,000,000 units) during the period.

Diluted earnings per unit is not presented as there is no dilutive instrument for the six months ended 30 June 2008.

10 Business combinations

On 1 June 2008, the Group acquired 100% of the issued share capital and shareholder's loans of Metrogold Development Limited, a company that is principally engaged in leasing of commercial properties in China.

The acquired business contributed revenue of approximately HK\$4,566,000, fair value gain on investment properties of HK\$39,523,000 and net profit of HK\$36,382,000 to the Group for the period from acquisition to 30 June 2008. If the acquisition had occurred on 1 January 2008, consolidated revenue and consolidated profit after tax before transactions with unitholders for the six-month period ended 30 June 2008 would have increased by HK\$19,298,000 and HK\$25,425,000 respectively.

Details of net assets acquired and goodwill are as follows:

	HK\$'000
Purchase considerations:	
— Cash paid/payable	
— as purchase consideration	472,201
— as direct costs attributable to the acquisition	7,360
— Fair value of units issued as purchase consideration	<u>191,320</u>
Total purchase consideration	670,881
— Fair value of net identifiable assets acquired (see below)	(195,943)
— Carrying amounts of shareholder's loans	<u>(473,456)</u>
Goodwill	<u><u>1,482</u></u>

The assets and liabilities arising from the acquisition are as follows:

Fair value and acquiree's carrying amount

	HK\$'000
Investment properties	730,255
Deferred assets	9,504
Prepayments, deposits and other receivables	451
Cash and cash equivalents	29,439
Rental deposits	(10,108)
Receipts in advance	(1,642)
Construction fee payables, accruals and other payables	(18,185)
Shareholder's loans	(473,456)
Current income tax liabilities	(728)
Deferred tax liabilities	<u>(69,587)</u>
Net identifiable assets acquired	<u><u>195,943</u></u>
Outflow of cash to acquire business, net of cash acquired:	
— cash consideration	474,124
— direct costs relating to acquisition	7,360
Cash and cash equivalents in subsidiary acquired	<u>(29,439)</u>
Cash outflow on acquisition	<u><u>452,045</u></u>

11 Future minimum rental receivables

At 30 June 2008, the Group had future minimum rental receivables under non-cancellable leases as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Not later than one year	504,470	394,428
Later than one year and not later than five years	753,496	667,070
Later than five years	<u>90,923</u>	<u>50,052</u>
	<u>1,348,889</u>	<u>1,111,550</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, 25 August 2008

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

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