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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 2009**

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 domestic properties 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 2009 to 30 June 2009 (“2009 Interim Period”) amounted to approximately HK\$125,332,000 (2008: HK\$131,552,000), representing distribution per unit of HK\$0.1175 (2008: HK\$0.1234).

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 distribution policy intends to distribute to the Unitholders 100% of Total Distributable Income for 2009 financial years.

The Manager has resolved to declare an interim distribution to Unitholders for the 2009 Interim Period of HK\$0.1175 (2008: HK\$0.1234) per unit. This represents the balance of a 100% distribution of GZI REIT's Total Distributable Income for the 2009 Interim Period.

The 2009 interim distribution amounting to approximately HK\$125,252,000 (2008: HK\$131,541,000), in aggregate, will be effected on or about 30 October 2009 and will be paid to the Unitholders whose names appear on the register of Unitholders on 23 October 2009.

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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Quality property portfolio generates stable growth in operating income**

In mid-2009, under the impact of the global financial tsunami, GZI REIT adopted positive measures in response to the severe market conditions. With the strategic geographical locations of its property portfolios and management standard, GZI REIT was able to maintain steady development of its property operations by adopting a flexible leasing strategy in a timely manner. Operating revenue continued to grow steadily and the overall results were better than expected.

## PROPERTY PORTFOLIO

As at 30 June 2009, GZI REIT's property portfolio 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..

According to an interim valuation by the independent professional valuer, Vigers Appraisal and Consulting Limited ("Vigers") the valuation of the Properties of GZI REIT as at 30 June 2009 was in the aggregate amount of approximately HK\$5,730,000,000, representing a slight increase of approximately HK\$11,100,000 or 0.19% over the valuation on 31 December 2008. The revalued market value has taken into account the newly added cost for an improvements and cable transformation projects of approximately HK\$4,932,000 for White Horse Building and transformation project for cooking fume emission of approximately HK\$147,000 for Victory Plaza during the 2009 Interim Period. The Net assets attributable to unitholders per unit was approximately HK\$3.77 which is the same as the net assets attributable to unitholders per unit as at 31 December 2008.

The following table summarizes the valuation of each of the Properties as at 30 June 2009 and 31 December 2008:

	<b>Valuation as at 30 June 2009</b>	<b>Valuation as at 31 December 2008</b>	<b>Increase/ decrease (-) %</b>
	HK\$ million	HK\$ million	
White Horse Building	3,243.9	3,233.4	0.32%
Fortune Plaza	668.8	665.0	0.57%
City Development Plaza	471.9	462.6	2.01%
Victory Plaza	610.9	609.5	0.23%
Yue Xiu Neo Metropolis	734.5	748.4	-1.86%
Total	<u>5,730.0</u>	<u>5,718.9</u>	<u>0.19%</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 <sup>(2)</sup>	No. of Lease Contract <sup>(2)</sup>	Appraised Value <sup>(2)</sup> (HK\$ million)
White Horse Building	Wholesale shopping center	Yuexiu District	1990	50,199.3	50,128.9	99.6%	1,285	3,243.9
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	97.9%	72	668.8
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	97.9%	64	471.9
Victory Plaza	Retail shopping center	Tianhe District	2003	27,698.1	27,262.3	95.4%	19	610.9
Yue Xiu Neo Metropolis	Commercial complex	Yuexiu District	2007	61,964.3	49,887.3 <sup>(1)</sup>	96.0% <sup>(1)</sup>	100	734.5
Total				<u>223,614.3</u>	<u>211,031.1</u>	<u>97.5%</u>	<u>1,540</u>	<u>5,730.0</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 2009.

### Occupancy Rate stayed at high levels

As at 30 June 2009, the overall occupancy rate of the Properties was approximately 97.5%, representing a slight decrease of 1.1 percentage point over 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 2.8%, much lower than the average vacancy rate of 15% 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:

<b>Name of Property</b>	<b>Occupancy Rate as at 30 June 2009</b>	<b>Occupancy Rate as at 30 June 2008</b>	<b>Percentage Increase/ (Decrease) Compared to 30 June 2008</b>
White Horse Building	99.6%	99.5%	0.1%
Fortune Plaza	97.9%	99.5%	-1.6%
City Development Plaza	97.9%	98.8%	-0.9%
Victory Plaza	95.4%	97.8%	-2.4%
Yue Xiu Neo Metropolis	96.0%	97.1%	-1.1%
Total	<u>97.5%</u>	<u>98.6%</u>	<u>-1.1%</u>

#### **Revenue continued to increase**

For 2009 Interim Period, the Properties recorded revenue of approximately HK\$261,656,000, representing a 12.7% increase compared to that of the previous year. Without taking into account of the newly acquired property, Yue Xiu Neo Metropolis and Unit 1701 of Fortune Plaza, the comparable total revenue increased 2.4% over the same period last year.

White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Yue Xiu Neo Metropolis accounted for approximately 57%, 12%, 11%, 9% and 11% 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 period and the same period of previous year:

<b>Name of Property</b>	<b>Revenue for 2009 Interim Period (HK\$ million)</b>	<b>Revenue for 2008 Interim Period (HK\$ million)</b>	<b>Increase/Decrease Compared to 2008 Interim Period (HK\$ million)</b>	<b>Increased Percentage of Revenue from Property</b>
White Horse Building	149.5	146.9	2.6	1.8%
Fortune Plaza	31.0 <sup>1</sup>	29.6 <sup>2</sup>	1.4	4.7%
City Development Plaza	28.3	26.7	1.6	6.0%
Victory Plaza	25.1	24.4	0.7	2.9%
Yue Xiu Neo Metropolis	27.8	4.5 <sup>3</sup>	23.3	517.8%
<b>Total</b>	<b>261.7</b>	<b>232.1</b>	<b>29.6</b>	<b>12.7%</b>

- Note 1 Including the income of Unit 1701 Fortune Plaza was approximately HK\$842,000.
- 2 Unit 1701 Fortune Plaza was acquired in August 2008. The 2008 Interim report did not include the income from that unit.
- 3 The acquisition of Yue Xiu Neo Metropolis was completed on 1 June 2008 and there was only one month of revenue.

### **White Horse Building – Active consolidation of its position in the industry**

Being a fashion wholesale professional market enjoying a nationwide reputation, White Horse Building has again won the “Top 10 Fashion Professional Market in China” for the 2008/2009 year and continues to maintain its leading position in the industry. In the first half year, we continued to implement the tenant admittance mechanism and imposed stringent standards on the quality, brand influence, product marketing channels and customer operational ability of customers entering the market. Accordingly, we have effectively optimized the tenant mix, increased overall market effectiveness and the anti-risk ability. Meanwhile, we attach great importance to customer relationship management and pay attention to the opinions and recommendations of existing tenants regarding market operations, improve the service quality, strengthen customers’ confidence and grow with customers. Besides, we have successfully organized tenants to participate in influential industry activities such as Beijing International Fashion Exhibition and the Guangzhou-Foshan Spring Shopping Festival (廣佛購物節), so as to effectively promote the fashion brands of tenants. We have been active in providing support to some target customers with strength by giving them priority when they plan to rent additional space.

### **Fortune Plaza and City Development Plaza — fully utilizing and exploring customer resources, optimizing the tenant mix**

Under the double pressure of the strong impact of the international financial tsunami and an enormous upsurge in supply in the grade-A office market of Guangzhou, Fortune Plaza and City Development Plaza have strongly emphasized the retention and optimization of existing tenants and managed to maintain high-level occupancy rates and stable rental income. In particular, Fortune Plaza has paid close attention to the operating trends of tenants and actively offered support to quality tenants renting larger space. For example, AstraZeneca, a World Top 500 enterprise, has managed to rent one more floor. Meanwhile, in terms of actively introducing quality customers, large state-owned enterprise “Zhengrong Gas” and famous Chinese fashion brand “Kangwei Sport” were successfully introduced in the first half year, thus further optimizing the tenant mix of the building. City Development Plaza has made positive efforts to facilitate the optimization of the tenant mix. City Development Plaza has successfully adjusted the whole floor to offer greater space to one of its top 10 tenants, Taikang Life, thus ensuring the steady operation of the building.

### **Victory Plaza — Stable operation, vigorous planning**

For Victory Plaza, we have maintained close contact with major tenant Gome and other business operators so as to be accurately kept abreast of its operating trends. We have timely adjusted the leasing policy, thus effectively eliminating the pressure brought by the financial crisis and enhancing the confidence of customers for long-term operation. Meanwhile, Victory Plaza has actively adjusted advertising resources and upgraded the image of the property to progressively enhance the recognition of the shopping arcade.

### **Yue Xiu Neo Metropolis — strengthening lease renewal management, stabilizing customer resources**

Given the fact that its tenants are mainly small and medium enterprises, Yue Xiu Neo Metropolis were affected by the financial crisis to a relatively greater extent in the first half year. In response to the market crisis, the Manager has timely adopted a flexible leasing policy, on the premise of ensuring the occupancy rate, to explore various channels to invite business, increase commission of agents for inviting business and actively introducing new tenants, which effectively maintained the steady operations of the building. Meanwhile, the Manager actively carried out lease renewal management with the lease renewal rate as high as 96.6% in the first year, thus effectively retaining customer resources. In addition, in response to the keen competition regarding podium operations of the building, the Manager has formulated a standby plan for operational adjustment to avoid operating risks so as to achieve the purpose of steady development.

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

In the first half of 2009, the Manager completed projects such as the renovation of the lobby, the passage ceiling on the first floor, and the passage ground on first and fifth floors of the White Horse Building, significantly upgrading the operating grade of the building. In the second half of 2009, the Manager plans to undertake projects such as installing additional lifts in Yue Xiu Neo Metropolis, renovation of the air conditioning, fire prevention and monitoring systems in City Development Plaza. The investment budget is approximately RMB12.15 million and will be settled with the balance of 2008 bank borrowing. Meanwhile, in the first half of 2009, property management companies (Guangzhou Yicheng Property Management Limited and Guangzhou White Horse Property Management Co. Ltd.) renovated the interior and exterior light boxes and signboards and the guiding system in White Horse Building, the outdoor signboards in Victory Plaza, the outdoor signboards and neon lights in Fortune Plaza and the lift lobby in City Development Plaza with remarkable results after renovation.

In the first half of 2009, Yue Xiu Neo Metropolis was awarded the “2008 National Quality Engineering Silver Prize”.

### **Actively make preparations and capture every opportunity to proceed with acquisitions**

In the first half of 2009, the Manager has taken positive actions to continue to identify projects with a growth potential in the Guangdong Province. Meanwhile, it has also actively carried out inspections in core cities such as Beijing and Shanghai to identify projects with a growth potential with a view to achieving project acquisitions under suitable market and policy conditions in the Mainland so as to make the property portfolio of the fund more stable, thereby enhancing the long-term benefits of unit holders.

## **FINANCIAL REVIEW**

### **Distribution Per Unit**

Distribution to Unitholders for the 2009 Interim Period of HK\$0.1175 (2008: HK\$0.1234) per unit represents a yield of approximately 4.66% (2008: 4.38%) per unit based on the closing price of HK\$2.52 per unit as at 30 June 2009. This represents an annualized distribution yield of 9.32%.

Using the initial public offer (“IPO”) price of HK\$3.075 per unit, the distribution per unit represents a yield of 3.82%.



### **New Units Issued and Unit Activity**

There were no new units issued by GZI REIT during the 2009 Interim Period. As at 30 June 2009, a total of 1,065,972,687 units were issued by GZI REIT.

The closing price of GZI REIT as at 30 June 2009 was HK\$2.52 per unit which represents a 18.0% decrease compared to the IPO price of HK\$3.075 per unit. GZI REIT's unit price reached a high of HK\$2.67 and a low of approximately HK\$1.63 during the 2009 Interim Period. The volume transacted during the 2009 Interim Period was 227,528,403 units, equivalent to an average of 1,880,400 units daily.

### **Asset Value**

The net assets attributable to the Unitholders per unit as at 30 June 2009 was approximately HK\$3.77 (31 December 2008: HK\$3.77). The total net tangible assets attributable to Unitholders per unit as at 30 June 2009 was approximately HK\$3.60 (31 December 2008: HK\$3.60).

## Financial Results

Both rental income and net property income were higher than the interim period of 2008. The following is a summary of GZI REIT's financial results during the 2009 Interim Period:

	Six months ended 30 June		% of Increase/ (decrease)
	2009 Unaudited HK\$'000	2008 Unaudited HK\$'000	
<b>Gross income</b>	261,656	232,121	12.7%
Leasing agents' fee	(8,888)	(7,810)	13.8%
Property related taxes ( <i>Note 1</i> )	(40,979)	(18,022)	127.4%
Other property expenses ( <i>Note 2</i> )	(2,724)	(2,126)	28.1%
<b>Total property operating expenses</b>	<b>(52,591)</b>	<b>(27,958)</b>	<b>88.1%</b>
<b>Net property income</b>	<b>209,065</b>	<b>204,163</b>	<b>2.4%</b>
Withholding tax	(23,244)	(22,949)	1.3%
Manager's fees	(16,068)	(13,423)	19.7%
Trustee's fees	(953)	(799)	19.3%
Other trust expenses ( <i>Note 3</i> )	(1,115)	(2,665)	(58.2)%
Total non-property expenses	(41,380)	(39,836)	3.9%
<b>Profit before finance costs, interest income and tax</b>	<b>167,685</b>	<b>164,327</b>	<b>2.0%</b>
Interest income	1,060	2,792	(62.0)%
Finance costs - excluding amounts attributable to Unitholders	(37,410)	(29,080)	28.6%
<b>Profit before tax</b>	<b>131,335</b>	<b>138,039</b>	<b>(4.9)%</b>
Income tax expenses	(5,441)	(11,127)	(51.1)%
<b>Net Profit after tax before fair value gains on investment properties</b>	<b>125,894</b>	<b>126,912</b>	<b>(0.8)%</b>
Fair value gains on investment properties	3,429	99,896	(96.6)%
<b>Net Profit after tax before transactions with Unitholders</b>	<b>129,323</b>	<b>226,808</b>	<b>(43.0)%</b>

Note 1 The board of directors of the manager of GZI REIT has received confirmation on 17 April 2009 that the “Provisional Regulations Governing Real Estate Tax of the People’s Republic of China” (Guofa No. 90 of 1986) (“Provisional RST Regulations”) apply to foreign-invested enterprises and direct foreign-invested properties located in Guangzhou, the PRC with effect from 1 January 2009. Prior to the change in tax regulations, the real estate tax paid by GZI REIT on the Properties under the Provisional URET Regulations was charged at the rate of 1.2% of 70% of the cost/value of each Property, and payable annually. With effect from 1 January 2009, the real estate tax payable by GZI REIT on the Properties under the Provisional RST Regulations will be charged at a rate of 12% of the rental income of each Property, and payable monthly.

The change in the Real Estate Tax Regulations of the PRC resulted in an increase of real estate tax of GZI REIT being payable in the 2009 interim period amounted to approximately HK\$21,563,000 as compared with the same period last year.

Note 2 Other property expenses include valuation fee, insurance premium, depreciation and bank charges 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 fees, exchange difference and miscellaneous expenses.

Profit after tax before transactions with Unitholders amounted to approximately HK\$129,323,000 (2008: HK\$226,808,000), which represents 43% decrease, mainly due to the fair value gain on properties valuation for the 2009 Interim Period was only approximately HK\$3,429,000, far below than the amount of approximately HK\$99,896,000 recorded for the same period of last year.

Gross revenue and net property income were approximately HK\$261,656,000 (2008: HK\$232,121,000) and approximately HK\$209,065,000 (2008: HK\$204,163,000) respectively, which represents an increase of 12.7% and 2.4% respectively while comparing with 2008.

Property operating expenses increased by approximately 88.1% as compared with 2008. It is mainly because of an increase of real estate tax.

For the purpose of preparing condensed consolidated interim statement of comprehensive income of GZI REIT, the Manager has applied an exchange rate of RMB0.8814 to HK\$1, representing an average exchange rate during the 2009 Interim Period.

## PERFORMANCE TABLE

The following table shows the performance of GZI REIT during the 2009 Interim Period and the 2008 Interim Period:

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
Distributions per unit	HK\$0.1175	HK\$0.1234
Earnings per unit ( <i>Note a</i> )	HK\$0.1213	HK\$0.2245
Net assets attributable to Unitholders value per unit	HK\$3.77	HK\$3.86
Distribution yield per unit based on offer price	3.82%	4.02%
Distribution yield per unit based on closing price	4.66%	4.38%
Number of units in issue	1,065,972,687 units	1,065,972,687 units
Total borrowings as a percentage of gross assets ( <i>Note b</i> )	32%	27%
Gross liabilities as a percentage of gross assets ( <i>Note c</i> )	37%	36%
Net property income	HK\$209.065 million	HK\$204.163 million

Note a: Due to the fair value gain on properties valuation for the 2009 Interim Period, earnings per unit is affected by approximately HK\$0.0032 per unit (2008: HK\$0.0937 per unit).

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**

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 2009, total borrowings of GZI REIT amounted to approximately HK\$2.057 billion (total borrowings are calculated based on bank loan, but excluding capitalization of debt-related expenses), representing approximately 32% of total assets of GZI REIT.

As at 30 June 2009, total liabilities of GZI REIT (excluding net assets attributable to the Unitholders) amounted to approximately HK\$2.331 billion, representing approximately 37% 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 2009 amounted to approximately HK\$388,656,000. 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 2009 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 2009 INTERIM REPORT**

The interim report of GZI REIT for the six months ended 30 June 2009 will be published on the websites of the Stock Exchange and GZI REIT and will be sent to Unitholders on or before 31 August 2009.

## **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 2009 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 2009 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 2009 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 Monday, 19 October 2009 to Friday, 23 October 2009, 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 Friday, 16 October 2009.

## 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 2009 to 30 June 2009 as follows:-

### CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 JUNE 2009

		<b>Unaudited</b>	<b>Audited</b>
	Note	<b>30 June</b>	<b>31 December</b>
		<b>2009</b>	<b>2008</b>
		HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		5,072	6,452
Investment properties		5,730,006	5,718,892
Deferred assets		40,052	40,125
Goodwill		181,894	181,813
		<u>5,957,024</u>	<u>5,947,282</u>
<b>Current assets</b>			
Tax recoverable		1,960	1,535
Prepayments, deposits and other receivables	4	6,715	6,440
Cash and cash equivalents		388,656	397,416
		<u>397,331</u>	<u>405,391</u>
<b>Total assets</b>		<u>6,354,355</u>	<u>6,352,673</u>
<b>Current liabilities</b>			
Rental deposits, current portion		41,895	40,465
Receipts in advance		8,444	11,796
Accruals and other payables		55,561	58,295
Due to related companies		17,573	20,672
		<u>123,473</u>	<u>131,228</u>

	Note	<b>Unaudited 30 June 2009 HK\$'000</b>	<b>Audited 31 December 2008 HK\$'000</b>
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion		74,182	73,944
Bank borrowings, secured		2,057,265	2,048,107
Deferred tax liabilities		76,548	77,075
		<u>2,207,995</u>	<u>2,199,126</u>
<b>Total liabilities, other than net assets attributable to unitholders</b>			
Net assets attributable to unitholders		2,331,468	2,330,354
		<u>4,022,887</u>	<u>4,022,319</u>
<b>Total liabilities</b>		<u>6,354,355</u>	<u>6,352,673</u>
<b>Net assets</b>		<u>—</u>	<u>—</u>
<b>Total equity</b>		<u>—</u>	<u>—</u>
<b>Net current assets</b>		<u>273,858</u>	<u>274,163</u>
<b>Total assets less current liabilities</b>		<u>6,230,882</u>	<u>6,221,445</u>
Units in issue ('000)		<u>1,065,973</u>	<u>1,065,973</u>
Net assets attributable to unitholders per unit (HK\$)		<u>3.77</u>	<u>3.77</u>



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE  
INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	Note	<b>2009</b>	<b>2008</b>
		HK\$'000	HK\$'000
Revenue — rental income		261,656	232,121
Operating expenses	5	<u>(93,971)</u>	<u>(67,794)</u>
Operating profit		167,685	164,327
Fair value gain on investment properties		3,429	99,896
Interest income from bank deposits		1,060	2,792
Finance costs — excluding amounts attributable to unitholders	6	<u>(37,410)</u>	<u>(29,080)</u>
Profit before tax and transactions with unitholders		134,764	237,935
Income tax expenses	7	<u>(5,441)</u>	<u>(11,127)</u>
Profit after tax before transactions with unitholders		129,323	226,808
Other comprehensive income			
– Cash flow hedges, net of tax		<u>—</u>	<u>49,330</u>
Total comprehensive income for the period before transactions with unitholders		<u>129,323</u>	<u>276,138</u>
Change in net assets attributable to unitholders		<u>129,323</u>	<u>276,138</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 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.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	<b>Unaudited</b>		
	<b>Hedging reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
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	—	(49,330)	(49,330)
Balance at 30 June 2008	<u>(34,511)</u>	<u>34,511</u>	<u>—</u>
Balance at 1 January 2009	—	—	—
Result for the period	—	—	—
Balance at 30 June 2009	<u>—</u>	<u>—</u>	<u>—</u>

**DISTRIBUTION STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

		<b>Unaudited</b>	
	Note	<b>Six months ended 30 June</b>	
		<b>2009</b>	<b>2008</b>
		HK\$'000	HK\$'000
Profit after tax before transactions with unitholders		129,323	226,808
Adjustments for the total distributable income (i)			
- Fair value gain on investment properties		(3,429)	(99,896)
- Deferred taxation (credited)/charged to the statement of comprehensive income	7	(562)	10,177
- Exchange gain on bank borrowings		—	(5,537)
Total distributable income		<u>125,332</u>	<u>131,552</u>
Distributable amount at 1 January		130,665	115,193
Distribution paid during the period (ii)		<u>(130,700)</u>	<u>(115,100)</u>
Distributable amount at 30 June		<u><u>125,297</u></u>	<u><u>131,645</u></u>
Interim distribution declared		<u><u>125,252</u></u>	<u><u>131,541</u></u>
Distribution per unit, declared		<u><u>HK\$0.1175</u></u>	<u><u>HK\$0.1234</u></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 statement of comprehensive income for the relevant year or period.
- (ii) A distribution of HK\$0.1226 per Unit, totaling HK\$130,700,000, was paid to unitholders on 20 May 2009.

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Note	<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2009</b>	<b>2008</b>
		HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		160,415	179,113
Interest paid		(28,267)	(23,663)
China corporate income tax paid		(6,343)	(2,545)
		<u>125,805</u>	<u>152,905</u>
Net cash generated from operating activities		----- 125,805	----- 152,905
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired		—	(452,045)
Purchase of property, plant and equipment		(4,932)	(3,244)
Additions of investment properties		(147)	(1,135)
Interest received		1,060	2,792
		<u>(4,019)</u>	<u>(453,632)</u>
Net cash used in investing activities		----- (4,019)	----- (453,632)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings, net of transaction costs		—	483,832
Distribution paid		(130,700)	(115,100)
		<u>(130,700)</u>	<u>(115,100)</u>
Net cash (used in)/generated from financing activities		----- (130,700)	----- 368,732
<b>Net (decrease)/increase in cash and cash equivalents</b>		(8,914)	68,005
Exchange difference		154	9,886
Cash and cash equivalents at beginning of the period		<u>397,416</u>	<u>290,153</u>
Cash and cash equivalents at end of the period		<u><u>388,656</u></u>	<u><u>368,044</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 was approved for issue by the Board of Directors of the Manager on 18 August 2009.

## 2 Basis of preparation

This condensed consolidated interim financial information for the six-month period ended 30 June 2009 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 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## 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 2008, 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 2009.

### 3 Accounting policies (Continued)

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 7 (Amendment)	Cash Flow Statements
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 19 (Amendment)	Employee Benefits
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23 (Revised)	Borrowing Costs
HKAS 28 (Amendment)	Investments in Associates
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies
HKAS 31 (Amendment)	Interest in Joint Venture
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKAS 40 (Amendment)	Investment Property
HKAS 41 (Amendment)	Agriculture
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of these amendments and interpretations do not have significant impact on the Company's financial statements.

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 Company anticipate that the adoption of these standards, amendments to standards and interpretations would not result in a significant impact on the results and financial position of the Group. The Group plans to adopt these new standards, amendments to standards and interpretations when they become effective.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Revised)	First time Adoption of Hong Kong Financial Reporting Standards <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HK(IFRIC)-Int 16 (Amendment)	Hedges of a Net Investment in a Foreign Operation <sup>1</sup>
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC)-Int 18	Transfers of Assets from Customers <sup>3</sup>
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations <sup>1</sup>
HKFRS 8 (Amendment)	Operating segments <sup>2</sup>
HKAS 1 (Amendment)	Presentation of financial statements <sup>2</sup>
HKAS 7 (Amendment)	Statement of cash flows <sup>2</sup>
HKAS 17 (Amendment)	Leases <sup>2</sup>
HK(IFRIC) - Int 9 (Amendment) and HKAS 39	Embedded derivatives <sup>4</sup>

### 3 Accounting policies (Continued)

- <sup>1</sup> effective for annual periods beginning on or after 1 July 2009  
<sup>2</sup> effective for annual periods beginning on or after 1 January 2010  
<sup>3</sup> effective for transfer of assets from customers received on or after 1 July 2009  
<sup>4</sup> effective for annual periods ending on or after 30 June 2009

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.

### 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 Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Property management fee (i)	8,888	7,810
Urban real estate tax	27,276	5,713
Business tax and flood prevention fee	13,146	11,810
Withholding tax (ii)	23,244	22,949
Depreciation of property, plant and equipment	1,383	1,355
Asset management fee	16,068	13,423
Trustee's remuneration	953	799
Valuation fee	140	100
Legal and professional fee	538	1,000
Auditor's remuneration	900	825
Bank charges	69	14
Others	1,366	1,996
	<hr/>	<hr/>
Total operating expenses	93,971	67,794
	<hr/> <hr/>	<hr/> <hr/>

*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.



## 6 Finance costs

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Interest expense for bank borrowings	28,267	24,701
Loan transaction costs for bank borrowings	9,143	4,318
Net foreign exchange transaction gains	—	(79,997)
Transfer from hedging reserve		
— interest rate and currency swaps: cash flow hedge	—	80,058
	<u>37,410</u>	<u>29,080</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% (2008: 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	
	2009	2008
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong profits tax	—	—
— China corporate income tax	6,003	950
Deferred income tax	(562)	10,177
	<u>5,441</u>	<u>11,127</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 tax rate used for the six months ended 30 June 2009 is 25% (the tax rate for the six months ended 30 June 2008 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 2009 is approximately HK\$0.1213 (June 2008: HK\$0.2245). The calculation of earnings per unit is based on profit after tax before transactions with unitholders of approximately HK\$129,323,000 (2008: HK\$226,808,000) and on average units in issue of 1,065,973,000 units (2008: 1,010,512,131 units) during the period.

Diluted earnings per unit is not presented as there is no dilutive instrument for the six months ended 30 June 2009.

## 9 Future minimum rental receivables

At 30 June 2009, the Group had future minimum rental receivables under non-cancellable leases as follows:

	<b>Unaudited 30 June 2009</b>	<b>Audited 31 December 2008</b>
	HK\$'000	HK\$'000
Not later than one year	440,760	502,864
Later than one year and not later than five years	445,537	588,559
Later than five years	41,904	62,984
	<u>928,201</u>	<u>1,154,407</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, 18 August 2009

*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>