



GZI Real Estate Investment Trust

越秀房地產投資信託基金

(a Hong Kong collective investment scheme under section 104 of the Securities and Future Ordinance <chapter 571 of the Laws of Hong Kong>)
(Stock Code: 00405)

2009 Interim Report



Manager



越秀房託資產管理有限公司
GZI REIT Asset Management Limited

Contents

2	PERFORMANCE SUMMARY
3	REPORT OF THE CHIEF EXECUTIVE OFFICER
6	GZI REIT PROFILE
<hr/>	
6	TOTAL DISTRIBUTABLE INCOME
	MANAGEMENT DISCUSSION AND ANALYSIS
7	Business Review
11	Financial Review
16	CONNECTED PARTY TRANSACTIONS
<hr/>	
24	REVIEW REPORT OF THE INDEPENDENT AUDITOR
25	CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
27	CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
28	CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
29	DISTRIBUTION STATEMENT
30	CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
31	NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
45	PERFORMANCE TABLE
46	CORPORATE AND INVESTOR RELATIONS INFORMATION



Performance Summary

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

	Six months ended 30 June	
	2009	2008
Distribution per unit	HK\$0.1175	HK\$0.1234
Earnings per unit (Note a)	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 (HK\$3.075)	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 (Note b)	32%	27%
Gross liabilities as a percentage of gross assets (Note c)	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.

Report of the Chief Executive Officer



Dear Unitholders of GZI REIT,

On behalf of the management team of GZI REIT Asset Management Limited (“Manager”), Manager of GZI Real Estate Investment Trust (“GZI REIT”), I am very pleased to present to you the interim report of GZI REIT for the first half of 2009.

RESULTS AND DISTRIBUTIONS

Under the far-reaching impact of the global financial crisis, all enterprises nationwide are still facing significant challenges during the first half of 2009. With the extraordinary efforts of the entire management team and the quality properties in the portfolio of GZI REIT, all the key operation indicators have outperformed expectations, showing a stable development trend.

For the period from 1 January 2009 to 30 June 2009 (“2009 Interim Period”), GZI REIT realized a Total Distributable Income of approximately HK\$125,332,000, representing a decrease of approximately HK\$6,220,000 or approximately 4.7% over the Total Distributable Income of HK\$131,552,000 for the same period last year. The Manager still decided to distribute 100% of the Total Distributable Income to unitholders, each unitholder will receive a distribution amount of approximately HK\$0.1175 per unit, representing a decrease of HK\$0.0059 per unit or approximately 4.8% as compared to the distribution amount of HK\$0.1234 per unit for the same period last year. Based on the offer price of HK\$3.075 per unit at the time of listing, the distribution rate will be approximately 3.82%, whereas based on the closing price of HK\$2.52 per unit as at 30 June 2009, the distribution rate will be approximately 4.66%.

As at 30 June 2009, GZI REIT owned five properties (“Properties”), namely, 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”), with a total rentable area of 211,031.1 sq. m. (excluding 7,549.03 sq. m. of parking spaces and 4,528.06 sq. m. of clubhouse and common facilities area of the Yue Xiu Neo Metropolis Plaza, which are also excluded in the current total leased area and the occupancy rate mentioned below), of which a total area of 205,819.97 sq. m. is currently leased out. The overall occupancy rate of the Properties is 97.5%, representing a decrease of 1.1% percentage point as compared to the same period last year.

Report of the Chief Executive Officer

For the 2009 Interim Period, GZI REIT recorded a total revenue of approximately HK\$261,656,000, representing an increase of 12.7% as compared to HK\$232,121,000 for the same period last year. The rent collection rate remained at 100% for the fourth consecutive year without any bad debts. All the Properties were under stable operation with persistent and steady growth.

MARKET ANALYSIS

During the first half of 2009, driven by the positive fiscal policy and the expansionary monetary policy, the impact of the global financial crisis on the overall economy of the People's Republic of China ("China") was alleviated. With increasing positive factors in the operating environment, the national economy began warming up during the latter part of the first half.

According to the data released by the National Bureau of Statistics, the gross domestic product (GDP) of China for the first half of the year amounted to RMB13,986.2 billion, representing a growth of 7.1% year-on-year. Total retail sales of social consumables amounted to RMB5,871.1 billion, representing a growth of 15.0% year-on-year. In June, the selling prices of properties in 70 large and medium cities in China declined by 0.6% year-on-year.

When compared with the national economy, the overall economy of Guangzhou was operating in a stable but slowing trend. According to the data released by the Guangzhou Bureau of Statistics, the GDP of Guangzhou was approximately RMB391.727 billion during the first half of the year, representing a growth of 8.5% over the same period year-on-year. Completed real estate investment amounted to RMB28.442 billion, decreased by 10.9% year-on-year. However, with popular sales in commodity housing units, the sales area and sales amount recorded 41.2% and 26.0% growth respectively year-on-year.

BUSINESS OPERATING STRATEGIES

Under the severe and challenging market environment, the Manager adopted specific operating strategies in view of the actual conditions of the five Properties under GZI REIT so as to stabilize and optimize the tenant mix, enhance competitiveness of the Properties and achieve stable growth of operating results.

The White Horse Building are the core focus of the asset portfolio of GZI REIT. During the first half of the year, the Manager continued to focus on maintaining good relationship with tenants, provision of quality tenancy services and renovation of building facilities, as well as the active planning for Level 3 to enhance its market positioning and adjustment work in order to consolidate its leading position in the fashion industry of China, maintain the competitive advantages of the property and create conditions for persistent rental growth.

Both Fortune Plaza and City Development Plaza are Grade A office projects with superior market recognition. The Manager adopted a clear operating strategy that gave priority to occupancy rate, encouraged internal expansion of leased areas by quality tenants, managed expiring leases effectively and focused on the addition of new tenants with good growth, in order to enhance the overall quality and development potential of tenants and establish the foundation for long term rental growth.

The Yue Xiu Neo Metropolis are multiple functional commercial offices. The Manager also followed the operating strategy with priority in property occupancy rate by striving to retain existing tenants, developing new customer base through multiple channels, optimizing tenant mix continuously and endeavoring to realize the long term stable yields of the properties.

The Victory Plaza are the only retail commercial project in the current asset portfolio with good value appreciation potential. The Manager focused on stabilizing the existing tenant base, while enhancing the project image and environmental facilities, in order to maintain stable growth in the operating revenue of the property.



INVESTMENT AND FINANCIAL STRATEGIES

During the 2009 Interim Period, the Manager continued to adopt active and prudent investment and financial principles. After adequate assessment of the market conditions and the capital market circumstances, investment opportunities were adopted after careful consideration in the long term interest of the Unitholders.

The GZI REIT implemented stable financial strategies. As at 30 June 2009, the gearing ratio (total borrowings to total assets) was maintained at 32%, which was still a long way from the upper limit of 45% as required under the Code on REIT. With a lower gearing ratio, it is also an advantage in the acquisition of third party properties. Further expansion of the properties portfolio provides long-term benefit to unitholders.

PROSPECTS

It is expected during the second half of the year, the Chinese Government will continue the existing fiscal and monetary policies. The impact of the financial crisis on the real economy will be weakened further and the Chinese economy may be the first to recover from the global recession. The real estate property market in Guangzhou is expected to remain stable with the development of the domestic economy.

We are cautiously optimistic and believe that under the favourable influence of the recovery of the macroeconomic environment in China, the Manager of the GZI REIT, through implementing active and stable leasing strategies, together with effective asset value enhancement measures, will continue to bring in relatively stable returns for Unitholders

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to extend our appreciation to the management and all the staff for their hard work, and our appreciation to all Unitholders, tenants and business partners for their full cooperation and support to GZI REIT!

Liu Yongjie
Chief Executive Officer

Hong Kong, 18 August 2009

GZI REIT Profile

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 the 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 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 China.

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 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, Fortune Plaza, City Development Plaza, Victory Plaza and 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:

	Valuation as at 30 June 2009 HK\$ million	Valuation as at 31 December 2008 HK\$ million	Increase/ decrease (-) %
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>	0.19%

Management Discussion and Analysis

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	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 ⁽¹⁾	96.0% ⁽¹⁾	100	734.5
Total				<u>223,614.3</u>	<u>211,031.1</u>	97.5%	<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 1.1 percentage point lower than 98.6% for the same period last year. In particular, the overall vacancy rate of the three office properties, namely Fortune Plaza, City Development Plaza and Yue Xiu Neo Metropolis, was only 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:

Name of Property	Occupancy Rate as at 30 June 2009	Occupancy Rate as at 30 June 2008	Percentage Increase/ (Decrease) Compared to 30 June 2008
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	97.5%	98.6%	-1.1%



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:

Name of Property	Revenue	Revenue	Increase/ Decrease	Increased Percentage of Revenue from Property
	for 2009 Interim Period (HK\$ million)	for 2008 Interim Period (HK\$ million)	Compared to 2008 Interim Period (HK\$ million)	
White Horse Building	149.5	146.9	2.6	1.8%
Fortune Plaza	31.0 ¹	29.6 ²	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 ³	23.3	517.8%
Total	<u>261.7</u>	<u>232.1</u>	<u>29.6</u>	12.7%

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.

Management Discussion and Analysis

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 “Zhenrong 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 (“Yicheng”) and Guangzhou White Horse Property Management Co. Ltd. (“White Horse Property Manager”)) 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).

Management Discussion and Analysis

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	2008	
	Unaudited	Unaudited	
	HK\$'000	HK\$'000	
Gross income	261,656	232,121	12.7%
Leasing agents' fee	(8,888)	(7,810)	13.8%
Property related taxes (Note 1)	(40,979)	(18,022)	127.4%
Other property expenses (Note 2)	(2,724)	(2,126)	28.1%
Total property operating expenses	(52,591)	(27,958)	88.1%
Net property income	209,065	204,163	2.4%
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 (Note 3)	(1,115)	(2,665)	(58.2)%
Total non-property expenses	(41,380)	(39,836)	3.9%
Profit before finance costs, interest income and tax	167,685	164,327	2.0%
Interest income	1,060	2,792	(62.0)%
Finance costs – excluding amounts attributable to Unitholders	(37,410)	(29,080)	28.6%
Profit before tax	131,335	138,039	(4.9)%
Income tax expenses	(5,441)	(11,127)	(51.1)%
Net Profit after tax before fair value gains on investment properties	125,894	126,912	(0.8)%
Fair value gains on investment properties	3,429	99,896	(96.6)%
Net Profit after tax before transactions with Unitholders	129,323	226,808	(43.0)%



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.

Management Discussion and Analysis

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.

Connected Party Transactions

The connected party transaction rules of the REIT Code govern transactions between the GZI REIT Group and its connected persons (as defined in Rule 8.1 of the REIT Code). Such transactions will constitute connected party transactions for the purposes of the REIT Code.

The Manager and Significant Holder Group

Set out below is the information in respect of the connected party transactions involving GZI REIT and its connected persons:

Leasing Transactions

Certain portions of City Development Plaza and Yue Xiu Metropolis have been leased to connected parties (as defined in the REIT Code) of GZI REIT in relation to the Manager (“Manager Group”). Details are as follows:

Tenant	Location of unit	Relationship with GZI REIT	GFA (sq.m.)	Lease commencement/renewal date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income during 2009 Interim Period (HK\$) ⁽¹⁾
City Development Plaza									
Yicheng	1st floor	an associate of the Manager	97.0	1 May 2007	485	5	0	3	3,302
GZI	16th floor	a significant holder	1,060.5	1 Jan 2008	100,747	95	0	2	685,820
Guangzhou office of Yue Xiu	16th floor	a significant holder	46.1	1 Jan 2008	4,380	95	0	2	29,816
Guangzhou Xingye Real Estate Agent Co., Ltd. (Xingye) ⁽²⁾	24th floor	an associate of the Manager	818.07	1 Nov 2007	77,717	95	0	1.25	552,249
								Sub-total:	1,271,187
Yue Xiu Metropolis									
Guangzhou City Construction and Development Hongcheng Car Park Properties Management Co., Ltd. (“Hongcheng”) ⁽³⁾	Basement 2nd, 3rd floors	an associate of the Manager	7,621.03	1 Jul 2007	83,333.33	11	180	3.9	561,761
								Total:	1,832,948

(1) Conversion was made at the rate of RMB0.8814 to HK\$1.00.

(2) On 31 January 2009, Xingye entered into a lease with Full Estates, in respect of the 24th floor of City Development Plaza, renewing the existing term for another 3 years commencing 1 February 2009.

(3) This lease was granted by Guangzhou Jieyacheng Properties Ltd before the signing of the sale and purchase agreement in respect of the equity interests in Metrogold, the SPV indirectly holding the Yue Xiu Metropolis.



Property Management Agreements

The following table sets forth information for the year in relation to the property management services provided by the connected parties to the properties of GZI REIT:

Property Manager	Relationship with GZI REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2009 Interim Period (HK\$) ⁽²⁾
White Horse Property Manager	Associate of Manager	White Horse Building	18 Oct 2008	Property Management Agreement	N/A
Yicheng	Associate of Manager	Fortune Plaza	1 Jul 2008	Property Management Agreement	N/A
Yicheng	Associate of Manager	City Development Plaza	19 Jul 2008	Property Management Agreement	N/A
Yicheng	Associate of Manager	Victory Plaza	7 Dec 2005	Property Management Agreement	N/A
Yicheng	Associate of Manager	Yue Xiu Metropolis	28 Dec 2007	Property Management Agreement	N/A
Yicheng	Associate of Manager	Fortune Plaza 1701		Property Management Fee ⁽¹⁾	50,524

(1) Since the newly acquired property was required to complete the ownership transfer process during the period from 1 July 2008 to 24 August 2008, no tenancy service agreement was signed and the owner was required to pay property management fees and utility charges for the period to the property management company.

(2) Conversion was made at the rate of RMB0.8814 to HK\$1.00

Tenancy services agreements

The following table sets forth information for the year in relation to the tenancy services provided by the connected parties to the properties of GZI REIT:

Service provider	Relationship with GZI REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2009 Interim Period (HK\$) ⁽¹⁾
White Horse Property Manager	Associate of Manager	White Horse Building	8 Dec 2008	Tenancy Services Agreement	4,485,000
Yicheng	Associate of Manager	Fortune Plaza	8 Dec 2008	Tenancy Services Agreement	1,206,000
Yicheng	Associate of Manager	City Development Plaza	8 Dec 2008	Tenancy Services Agreement	1,133,000
Yicheng	Associate of Manager	Victory Plaza	8 Dec 2008	Tenancy Services Agreement	917,000
Yicheng	Associate of Manager	Yue Xiu Metropolis	2 Jun 2008	Tenancy Services Agreement	1,113,000
Yicheng	Associate of Manager	Fortune Plaza 1701	24 Aug 2008	Tenancy Services Agreement	34,000

(1) Conversion was made at the rate of RMB0.8814 to HK\$1.00

Connected Party Transactions

Trade Mark Licence Agreements

The following table sets forth information for the year in relation to the trade mark licences granted by the connected parties to GZI REIT:

Grantor	Relationship with GZI REIT	Property	Nature of transaction	Amount paid/ payable for 2009 Interim Period	Licence Period
White Horse Property Manager	Associate of Manager	White Horse Building	Trade Mark Licence Agreement (6)	—	1 January 2007 to 27 November 2016 and 30 January 2017
Yue Xiu	Associate of Manager	Fortune Plaza	Trade Mark Licence Agreement	—	Perpetuity subject to early termination terms

Waiver from Strict Compliance

In connection with the acquisition of the equity interests in Metrogold, a waiver from strict compliance with the disclosure and approval requirements under Chapter 8 of the REIT Code in respect of the existing leasing transactions of GZI REIT, the existing property management arrangement and the tenancy services agreement of the existing properties, together with the new leasing transaction, the new property management arrangement and the new tenancy services agreement, as mentioned above, between the Group and persons which are connected with GZI REIT as a result of their connection with the Manager has been granted by the SFC on 21 February 2008, subject to annual limitation as to the capped value of such transactions, review by the auditors for each relevant financial period, annual review by the Audit Committee and the independent non-executive directors (“INED”) and other terms and conditions. For detailed terms and conditions of the waiver, please refer to the circular dispatched to Unitholders on 4 February 2008.

HSBC Group*

(*Note: “HSBC Group” means The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) and its subsidiaries and, unless expressly stated, shall not include the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee except those subsidiaries formed in its capacity as the trustee of GZI REIT)).

Leasing Transactions

Certain portions of the Fortune Plaza Units have been leased to members of the HSBC Group. Details are as follows:

Tenant	Location of unit	GFA (sq.m.)	Lease commencement date	Monthly rent (RMB)	Monthly rent per sq.m. (RMB)	Rent free period (days)	Term (years)	Rental income for the 2009 Interim Period (HK\$) ¹
HSBC Software Development (Guangdong) Limited	4th storey	4,275.1	1 Feb 2008	391,214	92 ²	0	3	2,640,500
	5th storey	4,275.1	1 Feb 2008	391,214	92 ²	0	3	2,640,500
	3rd storey	2,000	1 Dec 2006	183,020	92 ²	60	4.2	1,158,000
Total:								6,439,000

1. Conversion at the rate of RMB0.8814 to HK\$1.00.

2. With effect from 1 February 2009, the rent per meter was adjusted to approximately RMB92 per month.



Corporate Finance Transactions and Ordinary Banking Services

The following table sets forth information for the year in relation to the Corporate Finance Transactions made between the HSBC Group and GZI REIT within the year:

Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/ payable within the Reporting Year	Amount of interest paid/payable within the 2009 Interim Period (HK\$)
Loan ¹	6 November 2008	HK\$310 million	—	5,522,000

¹HSBC was one of the lending banks and acted as the agent and security agent for the lending bank.

REIT Holdco, Partat, Keen Ocean, Full Estates, Moon King and Metrogold Development Ltd (“Metrogold”) have maintained interest bearing accounts with HSBC at arm’s length and on commercial terms for deposits during the Reporting Year.

Waiver from Strict Compliance

A waiver from strict compliance with the disclosure requirement and Unitholders’ approval under Chapter 8 of the REIT Code in respect of the above transactions with connected persons of the Trustee has been granted by the SFC on 8 December 2005 subject to specific caps on fees payable by GZI REIT for corporate finance services, review by the auditors for each relevant financial period, annual review by the Audit Committee and the INEDs and other terms and conditions. Details of the Waiver and its terms and conditions have been published in the Offering Circular.

Confirmation by the Audit Committee and the INEDs

The INEDs and the Audit Committee of the Manager confirm that they have reviewed the terms of all relevant connected party transactions including those connected party transactions with the Manager Group and the HSBC Group and that they are satisfied that these transactions have been entered into:

- (a) in the ordinary and usual course of business of GZI REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to or from GZI REIT than terms available from or to (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement and the Manager’s internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

Confirmation by the Manager and Trustee on corporate finance transaction with the HSBC Group

Both the Manager and the Trustee have confirmed that there is no corporate finance transaction nor other connected transaction (save for those disclosed above) with the HSBC Group during the 2009 Interim Period.

Manager’s Fees

During the 2009 Interim Period, the aggregate amount of fees payable by GZI REIT to the Manager under the Trust Deed was approximately HK\$16,068,000.

Connected Party Transactions

Trustee's Fees

During the 2009 Interim Period, the aggregate amount of fees payable by GZI REIT to the Trustee under the Trust Deed was approximately HK\$953,000.

Principal Valuer's Fees

During the 2009 Interim Period, the aggregate amount of fees payable by GZI REIT to the Principal Valuer was HK\$140,000.

Interests held by the Manager and its Directors and Chief Executive Officer

The REIT Code requires that connected persons of GZI REIT shall disclose their interests in Units. In addition, under the provisions of Part XV of the SFO, the Trust Deed is also deemed to be applicable, among other things, to the Manager, the Directors and the Chief Executive of the Manager.

The interests and short positions held by Directors and Chief Executive Officer of the Manager in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed are set out below:

Interests and Short Positions in the Units:

Name of Director	Nature of Interest	As at 1 January 2009		As at 30 June 2009		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
Mr. Liang Ningguang ¹	—	Nil	—	Nil	—	—
Mr. Liu Yongjie ²	—	Nil	—	Nil	—	—
Mr. Liang Youpan	—	Nil	—	Nil	—	—
Mr. Chan Chi On, Derek	—	Nil	—	Nil	—	—
Mr. Lee Kwan Hung, Eddie	—	Nil	—	Nil	—	—
Mr. Chan Chi Fai, Brian	—	Nil	—	Nil	—	—

1 Mr. Liang is also a director of Yue Xiu and therefore Yue Xiu is deemed to be an associate of Mr. Liang under Rule 8.1 of the REIT Code. Accordingly, the holdings of Yue Xiu as disclosed in "Holdings of Significant Holders" are deemed to be the holdings of Mr. Liang.

2 Mr. Liu is also the Chief Executive Officer of the Manager.



HOLDINGS OF SIGNIFICANT HOLDERS

The following persons have interests or short position in the Units required to be recorded in the register kept by the Manager under Schedule 3 of the Trust Deed:

Long position in the Units:

Name of Substantial Unitholder	Nature of Interest	As at 1 January 2009		As at 30 June 2009		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ¹	Beneficial	27,320	0%	27,320	0%	—
	Deemed	395,415,447	37.1%	394,189,447	36.98%	(0.12%)
	Total	395,442,767	37.1%	394,216,767	36.98%	(0.12%)
GZI ²	Beneficial	—	—	—	—	—
	Deemed	379,253,182	35.58%	379,253,182	35.58%	—
	Total	379,253,182	35.58%	379,253,182	35.58%	—
Dragon Yield Holdings Limited ("Dragon Yield")	Beneficial	379,253,182	35.58%	379,253,182	35.58%	—
	Deemed	—	—	—	—	—
	Total	379,253,182	35.58%	379,253,182	35.58%	—

1. Further information in relation to interests of corporations controlled by Yue Xiu:

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares Long Position	Short Position
Excellence Enterprises Co., Ltd.	Yue Xiu	100.00	N	387,188,217	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	N	379,253,182	—
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.00	Y	5,698,282	—
Guangzhou Investment Company Limited	Bosworth International Limited	34.11	N	379,253,182	—
Dragon Yield	GZI	100.00	Y	379,253,182	—
Sun Peak Enterprises Ltd.	Excellence Enterprises Co., Ltd.	100.00	N	1,414,207	—
Novena Pacific Limited	Sun Peak Enterprises Ltd.	100.00	Y	1,414,207	—
Shine Wah Worldwide Limited	Excellence Enterprises Co., Ltd.	100.00	N	395,122	—
Morrison Pacific Limited	Shine Wah Worldwide Limited	100.00	Y	395,122	—

Connected Party Transactions

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Perfect Goal Development Co., Ltd.	Excellence Enterprises Co., Ltd	100.00	N	339,342	—
Greenwood Pacific Limited	Perfect Goal Development	100.00	Y	339,342	—
Seaport Development Limited	Excellence Enterprises Co., Ltd.	100.00	N	88,082	—
Goldstock International Limited	Seaport Development Limited	100.00	Y	88,082	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	Y	4,744,230	—
Yue Xiu Finance Company Limited	Yue Xiu	100.00	N	2,257,000	—
Dragon Year Industries Limited	Yue Xiu Finance Company	100.00	Y	700,000	—
Leader Power Limited	Yue Xiu Finance Company	100.00	Y	1,557,000	—

2. The deemed interest in 379,253,182 Units were held through Dragon Yield, a 100% owned subsidiary.



HOLDINGS OF OTHER CONNECTED PERSONS

Senior Executives of the Manager

Interests in the Units held by senior executives of the Manager, being connected persons of GZI REIT, are set out below:

Name of Senior Executive	Nature of interest	As at 1 January 2009		As at 30 June 2009		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Ms. Chen Huiqing	Personal ⁽¹⁾	510	0%	510	0%	—
Mr. Ip Wing Wah	Personal	1,900	0%	1,900	0%	—
Ms. Ou Haijing	Personal	1,000	0%	1,000	0%	—

(1) 255 units held by spouse

Save as disclosed above, the Manager is not aware of any connected persons of GZI REIT, including the Trustee and Vigers holding any Units as at 30 June 2009.

Unit Options

During the 2009 Interim Period, GZI REIT or any of its controlled entities was not a party to any arrangements enabling the Directors of the Manager (including, their spouses and children under 18 years of age) to benefit through acquiring the Units in GZI REIT or any fund units of other legal entities or any derivatives of equities.

Review Report of the Independent Auditor



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GZI REIT ASSET MANAGEMENT LIMITED (as the “MANAGER” of GZI REAL ESTATE INVESTMENT TRUST)

INTRODUCTION

We have been engaged by the Manager to review the interim financial information of GZI Real Estate Investment Trust (“GZI REIT”) set out on pages 25 to 44, which comprises the condensed consolidated balance sheet of GZI REIT and its subsidiaries (together, the “Group”) as at 30 June 2009 and the related condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Manager are responsible for the preparation and fair presentation of these interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 August 2009

Condensed Consolidated Interim Balance Sheet

As at 30 June 2009

	Note	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Non-current assets			
Property, plant and equipment	4	5,072	6,452
Investment properties	5	5,730,006	5,718,892
Deferred assets	6	40,052	40,125
Goodwill	7	181,894	181,813
		<u>5,957,024</u>	<u>5,947,282</u>
Current assets			
Tax recoverable		1,960	1,535
Prepayments, deposits and other receivables	8	6,715	6,440
Cash and cash equivalents	9	388,656	397,416
		<u>397,331</u>	<u>405,391</u>
Total assets		<u>6,354,355</u>	<u>6,352,673</u>
Current liabilities			
Rental deposits, current portion	12	41,895	40,465
Receipts in advance	12	8,444	11,796
Accruals and other payables	12	55,561	58,295
Due to related companies	20	17,573	20,672
		<u>123,473</u>	<u>131,228</u>
Non-current liabilities, other than net assets attributable to unitholders			
Rental deposits, non-current portion	12	74,182	73,944
Bank borrowings, secured	13	2,057,265	2,048,107
Deferred tax liabilities	11	76,548	77,075
		<u>2,207,995</u>	<u>2,199,126</u>
Total liabilities, other than net assets attributable to unitholders		<u>2,331,468</u>	<u>2,330,354</u>
Net assets attributable to unitholders	14	<u>4,022,887</u>	<u>4,022,319</u>
Total liabilities		<u>6,354,355</u>	<u>6,352,673</u>
Net assets		<u>—</u>	<u>—</u>

Condensed Consolidated Interim Balance Sheet

As at 30 June 2009

	Note	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Total equity		—	—
Net current assets		273,858	274,163
Total assets less current liabilities		6,230,882	6,221,445
Units in issue ('000)		1,065,973	1,065,973
Net assets attributable to unitholders per unit (HK\$)		3.77	3.77

On behalf of the Board of Directors of GZI REIT Asset Management Limited, as the Manager of GZI REIT

Liang Ningguang
Director

Liu Yongjie
Director

The notes on pages 31 to 44 are an integral part of this condensed interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2009

	Note	Unaudited	
		Six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
Revenue – rental income		261,656	232,121
Operating expenses	15	(93,971)	(67,794)
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	17	(37,410)	(29,080)
Profit before tax and transactions with unitholders		134,764	237,935
Income tax expenses	18	(5,441)	(11,127)
Profit after tax before transactions with unitholders		129,323	226,808
Other comprehensive income			
– Cash flow hedges, net of tax		—	49,330
Total comprehensive income for the period before transactions with unitholders		129,323	276,138
Change in net assets attributable to unitholders	14	129,323	276,138

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 on page 29.
- (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 19.

The notes on pages 31 to 44 are an integral part of this condensed interim financial information.

Condensed Consolidated Interim Statement Of Changes In Equity

For the six months ended 30 June 2009

	Unaudited		
	Hedging reserve (Note 10) HK\$'000	Retained earnings HK\$'000	Total 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>

The notes on pages 31 to 44 are an integral part of this condensed interim financial information.

Distribution Statement

For the six months ended 30 June 2009

		Unaudited	
		Six months ended 30 June	
	Note	2009	2008
		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		(562)	10,177
– Exchange gain on bank borrowings		—	(5,537)
Total distributable income		125,332	131,552
Distributable amount at 1 January		130,665	115,193
Distribution paid during the period (ii)	14	(130,700)	(115,100)
Distributable amount at 30 June		125,297	131,645
Interim distribution declared		125,252	131,541
Distribution per unit, declared		HK\$0.1175	HK\$0.1234

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	Unaudited	
		Six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
Cash flows from operating activities			
Cash generated from operations		160,415	179,113
Interest paid		(28,267)	(23,663)
China corporate income tax paid		(6,343)	(2,545)
Net cash generated from operating activities		<u>125,805</u>	<u>152,905</u>
Cash flows from investing activities			
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
Net cash used in investing activities		<u>(4,019)</u>	<u>(453,632)</u>
Cash flows from financing activities			
Proceeds from bank borrowings, net of transaction costs		—	483,832
Distribution paid		(130,700)	(115,100)
Net cash (used in)/generated from financing activities		<u>(130,700)</u>	<u>368,732</u>
Net (decrease)/increase in cash and cash equivalents		(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>

The notes on pages 31 to 44 are an integral part of this condensed interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

GZI Real Estate Investment Trust (“GZI REIT”) 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.

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

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (Continued)

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009 (Continued).

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

¹ effective for annual periods beginning on or after 1 July 2009

² effective for annual periods beginning on or after 1 January 2010

³ effective for transfer of assets from customers received on or after 1 July 2009

⁴ 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.

Notes to the Condensed Consolidated Interim Financial Information

4 PROPERTY, PLANT AND EQUIPMENT

	Unaudited Construction in progress HK\$'000	Unaudited Machinery And tools HK\$'000	Unaudited Total HK\$'000
Six months ended 30 June 2008			
Opening net book amount as at 1 January 2008	—	8,897	8,897
Additions	3,070	174	3,244
Depreciation	—	(1,355)	(1,355)
Exchange difference	—	545	545
	<u>3,070</u>	<u>8,261</u>	<u>11,331</u>
Closing net book amount as at 30 June 2008	<u>3,070</u>	<u>8,261</u>	<u>11,331</u>

Six months ended 30 June 2009

Opening net book amount as at 1 January 2009	—	6,452	6,452
Additions	4,932	—	4,932
Transfer upon completion	(4,932)	—	(4,932)
Depreciation	—	(1,383)	(1,383)
Exchange difference	—	3	3
	<u>—</u>	<u>5,072</u>	<u>5,072</u>
Closing net book amount as at 30 June 2009	<u>—</u>	<u>5,072</u>	<u>5,072</u>

5 INVESTMENT PROPERTIES

	Unaudited Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Beginning of the period	5,718,892	4,695,536
Transfer from property, plant and equipment	4,932	—
Additions	147	1,135
Acquisition of subsidiary	—	730,255
Fair value gain	3,429	99,896
Exchange difference	2,606	313,013
	<u>5,730,006</u>	<u>5,839,835</u>
End of the period	<u>5,730,006</u>	<u>5,839,835</u>

The investment properties are located in China and held on land use rights of 40 years to 50 years, expiring in 2045 through 2055.

The investment properties were revalued at 30 June 2009 by Vigers Appraisal and Consulting Limited, independent professional valuers. Valuations were performed using discounted cash flow projections based on estimates of future cash flows, derived from the terms of any existing lease and other contracts, and from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Notes to the Condensed Consolidated Interim Financial Information

5 INVESTMENT PROPERTIES (Continued)

In the condensed consolidated interim statement of comprehensive income, direct operating expenses include HK\$573,000 (2008: HK\$145,000) relating to investment properties that were vacant.

As at 30 June 2009, certain investment properties were pledged as collateral for the Group's bank borrowings (Note 13).

6 DEFERRED ASSETS

Rental income is recognised on an accruals basis by averaging out the impact of rent-free periods, contracted rental escalations and such other terms affecting the cash received from rental income under each tenancy agreement. Thus, rental income is recognised on a straight-line basis for the entire lease term of each tenancy agreement, which effectively amortises the impact of rent-free periods, contracted rental escalations and other relevant terms on the rental income over the relevant tenancy periods. The temporary difference between the cash received from rental income as set out in the tenancy agreements and accounting monthly rental income is reflected as deferred assets.

7 GOODWILL

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Opening net book amount	181,813	169,835
Acquisition of subsidiary	—	1,482
Exchange difference	81	10,926
	<u>181,894</u>	<u>182,243</u>
Closing net book amount	181,894	182,243
Cost	181,894	182,243
Accumulated impairment	—	—
	<u>181,894</u>	<u>182,243</u>

Notes to the Condensed Consolidated Interim Financial Information

7 GOODWILL (Continued)

Impairment test for goodwill

For the purpose of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period.

Cash flows beyond the three-year period are extrapolated using the estimated growth rate stated below. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets.

Key assumptions used for in the cash flow projections are as follows:

Growth rate	3%
Discount rate	5.46%

These assumptions have been used for the analysis of the cash-generating units ("CGU"). Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the CGU. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

8 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.

9 CASH AND CASH EQUIVALENTS

As at 30 June 2009, included in the cash and cash equivalents of the Group are bank deposits of approximately HK\$155,601,100 (31 December 2008: HK\$208,490,000) denominated in Renminbi, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The remittance of these funds out of China is subject to exchange control restrictions imposed by the Chinese government.

The remaining balances of cash and cash equivalents are denominated in Hong Kong dollars.

Notes to the Condensed Consolidated Interim Financial Information

10 HEDGING RESERVE

	Unaudited	
	HK\$'000	HK\$'000
At 1 January 2008		(83,841)
<i>Cash flow hedges:</i>		
– Fair value gains	(30,728)	—
– Recognise as finance costs (Note 17)	80,058	49,330
	<u> </u>	<u> </u>
At 30 June 2008		<u><u>(34,511)</u></u>
At 30 June 2009 (Note)		<u><u>—</u></u>

Note:

The swap instruments were settled on 12 November 2008. The accumulated gains and losses existing in the hedging reserve on interest rate and currency swap contracts prior to the date of settlement were recognised in the statement of comprehensive income for the year ended 31 December 2008.

11 DEFERRED TAX LIABILITIES

	Unaudited	Audited
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	76,548	77,075
	<u><u> </u></u>	<u><u> </u></u>

Notes to the Condensed Consolidated Interim Financial Information

11 DEFERRED TAX LIABILITIES (Continued)

The movements in deferred tax liabilities during the period are as follows:

	Fair value gains/(losses) HK\$'000	Others HK\$'000	Withholding tax in respect of unremitted earnings of a subsidiary HK\$'000	Total HK\$'000
Six months ended 30 June 2008				
At 1 January 2008	—	—	—	—
Acquisition of subsidiary	64,873	4,714	—	69,587
Charged to the statement of comprehensive income (Note 18)	9,881	296	—	10,177
Exchange differences	993	62	—	1,055
	<u>75,747</u>	<u>5,072</u>	<u>—</u>	<u>80,819</u>
Six months ended 30 June 2009				
At 1 January 2009	68,282	7,386	1,407	77,075
(Credited)/charged to the statement of comprehensive income (Note 18)	(3,545)	1,573	1,410	(562)
Exchange differences	31	3	1	35
	<u>64,768</u>	<u>8,962</u>	<u>2,818</u>	<u>76,548</u>

There is no material unprovided deferred taxation as at 30 June 2009.

Notes to the Condensed Consolidated Interim Financial Information

12 RENTAL DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUALS AND OTHER PAYABLES

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Rental deposits		
Current portion	41,895	40,465
Non-current portion	74,182	73,944
	<u>116,077</u>	<u>114,409</u>
Receipts in advance	<u>8,444</u>	11,796
Provision for withholding tax payable	8,119	8,637
Provision for business tax and flood prevention fee	5,193	5,254
Construction fee payables	8,657	8,657
Accruals for operating expenses	<u>33,592</u>	<u>35,747</u>
Accruals and other payables	<u>55,561</u>	<u>58,295</u>
	<u><u>180,082</u></u>	<u><u>184,500</u></u>

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

Majority of the rental deposits, receipts in advance and other payables are denominated in Renminbi.

13 BANK BORROWINGS, SECURED

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Non-current	<u><u>2,057,265</u></u>	<u><u>2,048,107</u></u>

Bank borrowings are denominated in Hong Kong dollars and secured by investment properties of Partat Investment Limited, Moon King Limited, Full Estates Investment Limited and Keen Ocean Limited amounting to HK\$4,977,482,000.

Notes to the Condensed Consolidated Interim Financial Information

13 BANK BORROWINGS, SECURED (Continued)

The maturity of borrowings at the balance sheet date is as follows:

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
More than 1 year	<u>2,057,265</u>	<u>2,048,107</u>

The effective interest rate of the bank borrowings at the balance sheet date was 2.41% (31 December 2008: 3.79%) per annum. The carrying amounts of the borrowings approximate their fair values.

The Group has no undrawn borrowing facilities as at 30 June 2009 (31 December 2008: Nil).

14 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited Six months ended 30 June 2009 HK\$'000	2008 HK\$'000
Beginning of the period	4,022,319	3,534,544
Issuance of units	—	191,320
Transfer from statement of comprehensive income	129,323	276,138
Distribution paid during the period	(130,700)	(115,100)
Exchange difference	<u>1,945</u>	<u>230,573</u>
End of the period	<u>4,022,887</u>	<u>4,117,475</u>

Notes to the Condensed Consolidated Interim Financial Information

15 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
	<u>93,971</u>	<u>67,794</u>
Total operating expenses		

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 (Note 20).
- (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.

16 EMPLOYEE BENEFIT EXPENSE

GZI REIT did not appoint any directors and the Group did not engage any employees during the period. As such, it has not incurred any employee benefit expense.

Notes to the Condensed Consolidated Interim Financial Information

17 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 (Note 10)		
– interest rate and currency swaps: cash flow hedge	—	80,058
	<u>37,410</u>	<u>29,080</u>

18 INCOME TAX EXPENSES

Since a subsidiary carries 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 as disclosed in Note 15(ii).

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 (Note 11)	(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%).

Notes to the Condensed Consolidated Interim Financial Information

19 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.

20 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 30 June 2009, the Group was significantly influenced by Guangzhou Investment Company Limited (incorporated in Hong Kong), which owns approximately 36% of GZI REIT's units. The remaining approximately 64% of the units are widely held.

The table set forth below summarized the names of significant parties and nature of relationship with GZI REIT as at 30 June 2009:

Connected party	Relationship with GZI REIT
Guangzhou Investment Company Limited ("GZI") ¹	A major unitholder of GZI REIT
GZI REIT Asset Management Limited (the "Manager") ¹	A subsidiary of GZI
Guangzhou Yicheng Property Management Ltd. ("Yicheng") ¹	A subsidiary of GZI
Guangzhou White Horse Property Management Co. Ltd ¹ ("White Horse PM") ¹	A subsidiary of GZI
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("GCCD Xingye Property Agent") ¹	A subsidiary of GZI
Guangzhou City Construction and Development Hongcheng Car Park Properties Management Co. Ltd. ("Hongcheng") ¹	A subsidiary of GZI
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ¹	A major shareholder of GZI
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The trustee of GZI REIT
Colliers International (Hong Kong) Limited (the "Former valuer")	The principal valuer of GZI REIT, expired in December 2008
Vigers Appraisal & Consulting (the "Current valuer")	The principal valuer of GZI REIT, appointed in January 2009
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Related parties of the Trustee

¹ These connected parties are also considered as related parties of the Group, transactions and balances carried out with these related parties are disclosed in notes (a) and (b) below.

Notes to the Condensed Consolidated Interim Financial Information

20 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Transactions with connected parties/related parties

The following transactions were carried out with connected parties/related parties:

	Unaudited	
	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Asset management fee paid/payable to the Manager (ii)	(16,068)	(13,423)
Management fee paid/payable to Yicheng	(4,403)	(3,403)
Management fee paid/payable to White Horse PM	(4,485)	(4,406)
Rental income received/receivable from GCCD Xingye Property Agent	552	518
Rental income received/receivable from GZI	686	671
Rental income received/receivable from Yue Xiu	30	29
Rental income received/receivable from Yicheng	3	3
Rental income received/receivable from Hongcheng	562	—
Trustee fee paid/payable to the Trustee	(953)	(800)
Valuation fee paid/payable to the Former valuer	—	(205)
Valuation fee paid/payable to the Current valuer	(140)	—
Transactions with the HSBC Group		
– Interest expense paid/payable to the HSBC Group (iii)	(5,522)	(10,274)
– Rental income received/receivable from the HSBC Group	6,439	6,225
– Interest income from the HSBC Group	43	1,116
– Arrangement fees on the borrowings paid/payable to the HSBC Group	—	(1,198)
– Professional fee paid/payable to HSBC Group	—	(1,386)
	<u> </u>	<u> </u>

Note:

- (i) All transactions with connected parties/related parties were carried out in accordance with the terms of the relevant agreement governing the transactions.
- (ii) The asset management fee is calculated as the aggregate of a base fee of 0.3% per annum of the value of the Deposited Property, as defined in the Trust Deed and a service fee of 3% per annum of Net Property Income, as defined in the Trust Deed.
- (iii) The Group entered into an interest rate and US\$/RMB currency non-deliverable swap facility with the HSBC Group on 21 December 2005. The swap instruments were settled on 12 November 2008.

Notes to the Condensed Consolidated Interim Financial Information

20 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Balances with related parties

The following balances were carried out with related parties:

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Balance with Yicheng		
Amount due to Yicheng	(745)	(852)
Balance with White Horse PM		
Amount due to White Horse PM	(745)	(745)
Balance with the Manager		
Amount due to the Manager	(16,083)	(19,075)
	<u>(17,573)</u>	<u>(20,672)</u>

All balances with related parties are unsecured, interest-free and repayable on demand.

(c) Key management compensation

There was no key management compensation for the period ended 30 June 2009 (2008: Nil).

21 CAPITAL COMMITMENTS

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Capital commitments in respect of investment properties, contracted but not provided for	1,609	2,101
	<u>1,609</u>	<u>2,101</u>

22 FUTURE MINIMUM RENTAL RECEIVABLES

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

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 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>

Performance Table

	30 June 2009	30 June 2008
Net assets attributable to unitholders	HK\$4,022,887,000	HK\$4,117,475,000
Net assets attributable to unitholders per unit	HK\$3.77	HK\$3.86
The highest premium of the traded price to net asset value (i)	—	—
The highest discount of the traded price to net asset value (i)	HK\$2.140	HK\$1.110
Net yield per unit (ii)	4.81%	7.96%
Number of units in issue	1,065,972,687 units	1,065,972,687 units

Note:

- (i) The highest premium is calculated based on the highest traded price of HK\$2.67 on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) during the period from 1 January 2009 to 30 June 2009. The highest discount is calculated based on the lowest traded price of HK\$1.63 (2008: HK\$2.75) on the Stock Exchange during the period from 1 January 2009 to 30 June 2009. Since the highest traded price during the six months ended 30 June 2009 was HK\$2.67, which was lower than the net asset value as at 30 June 2009, no premium of the traded price to net asset value was presented for 30 June 2009.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with Unitholders per unit for the period from 1 January 2009 to 30 June 2009 over the traded price on the Stock Exchange of HK\$2.52 (2008: HK\$2.82) as at 30 June 2009.

Corporate and Investor Relations Information

BOARD OF DIRECTORS OF THE MANAGER

Executive directors

Mr Liang Ningguang (*Chairman*)

Mr Liu Yongjie

Non-executive director

Mr Liang Youpan

Independent non-executive directors & audit committee members

Mr Chan Chi On, Derek

Mr Lee Kwan Hung, Eddie

Mr Chan Chi Fai, Brian

Responsible Officers of the Manager

Mr Liang Ningguang

Mr Liu Yongjie

Mr Lau Jin Tin Don

COMPANY SECRETARY OF THE MANAGER

Mr Yu Tat Fung

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

AUDITOR OF GZI REIT

PricewaterhouseCoopers

Certified Public Accountants

Corporate and Investor Relations Information

PRINCIPAL VALUER

Vigers Appraisal and Consulting Ltd.

HONG KONG LEGAL ADVISOR

Baker & McKenzie

PRINCIPAL BANKERS OF GZI REIT

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank, Limited
The Bank of East Asia, Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
DBS Bank Ltd, Hong Kong Branch
Dah Sing Bank, Limited

WEBSITES TO ACCESS INFORMATION IN RELATION TO GZI REIT

<http://www.gzireit.com.hk>

<http://www.hkex.com.hk>

REGISTERED OFFICE OF THE MANAGER

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UNIT REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

Corporate and Investor Relations Information

UNIT LISTING

GZI REIT's Units are listed on:
The Stock Exchange of Hong Kong Limited

The stock code is: 405

INVESTOR RELATIONS

For further information about
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