



# 越秀房地產投資信託基金

GZI REAL ESTATE INVESTMENT TRUST

(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)

## INTERIM REPORT 2011



MANAGER



越秀房託資產管理有限公司  
GZI REIT ASSET MANAGEMENT LIMITED

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## Performance Summary

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

(in Renminbi ("RMB"), unless otherwise specified)

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

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

# 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 period from 1 January 2011 to 30 June 2011 (“2011 Interim Period”).

## RESULTS AND DISTRIBUTIONS

Benefiting from the sustained economic growth of the People’s Republic of China (“PRC”), GZI REIT has recorded another remarkable performance during the first half of 2011. With the extraordinary efforts of the entire management team and the quality properties in the portfolio of GZI REIT, all key operation indicators have performed to expectations, continuously maintaining a stable development trend.

For the 2011 Interim Period, GZI REIT declared an interim distribution of approximately RMB118,239,000 (approximately HK\$142,716,000), representing an increase of approximately RMB2,368,000 or around 2% over the declared interim distribution of RMB115,871,000 (approximately HK\$132,819,000) for the same period last year. Each Unitholder will receive a distribution amount of approximately RMB0.1109 (HK\$0.1339) per unit, representing an increase of approximately 2% as compared to the distribution amount of RMB0.1087 (approximately HK\$0.1246) 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 4.35%, whereas based on the closing price of HK\$4.02 per unit as at 30 June 2011, the distribution rate will be approximately 3.33%.



# Report of the Chief Executive Officer

As at 30 June 2011, 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 (“Neo Metropolis”), with a total rentable area of 211,031.1 sq.m, of which a total area of 210,871.0 sq.m is currently leased out. The overall occupancy rate of the Properties is 99.92%, representing an increase of 0.96% as compared to the same period last year.

For the 2011 Interim Period, GZI REIT recorded a total revenue of approximately RMB257,546,000, representing an increase of 7.1% as compared with the same period last year. The rent collection rate continued to remain at 100% without bad debts. All of the Properties were under stable operation with persistent and steady growth.

## MARKET REVIEW

During the first half of 2011, global economic condition remained uncertain. Further to the earthquake and nuclear crisis in Japan, the unstable political situation in the Middle East and the successive sovereign debt crisis in Europe rendered global economic development even more complicated. Against this backdrop, China’s economy was under pressure of inflation and the ever-increasing property prices. After the adoption of a series of control measures to tighten money supply, China’s overall economic growth has slowed down.

According to the data released by the National Bureau of Statistics, the gross domestic product (GDP) of China for the first half of 2011 amounted to RMB20,445.9 billion, representing a growth of 9.6% year-on-year. Total retail sales of social consumables amounted to RMB8,583.3 billion, representing a growth of 16.8% year-on-year.

Due to the successful hosting of the Asian Games, the economy of Guangzhou achieved stable and rapid growth. According to the data released by the Guangzhou Municipal Bureau of Statistics, the GDP of Guangzhou was approximately RMB573.0 billion during the first half of the year, representing a growth of 11.0% over the same period last year. Retail sales of social consumables amounted to RMB242.1 billion, representing a growth of 16.4% year-on-year.

## BUSINESS OPERATING STRATEGIES

The Manager made full use of the features and competitive advantages of the five Properties under GZI REIT, implemented aggressive and professional management and effective leasing strategies, striving to achieve stable and sustainable growth in its results.

The White Horse Building is the core focus of the asset portfolio of GZI REIT. The Manager spared no effort in establishing the strategic project for the White Horse brand, continuously carried out “The Nationwide Circuit Show of White Horse Clothes”, effectively facilitating numerous transactions among apparel tenants. Such activities favourably enhanced the nationwide impact of the White Horse brand, strengthened its leading position in the industry, and also improved the property competitiveness and enhanced asset value. The effect of rental increase of White Horse Building last year would gradually emerge in the next few years, however the Manager would not become complacent about this. Accordingly, the Manager sought to achieve the sustainable revenue growth of White Horse Building through improving tenant relationship management, enhancing market research efforts and extensively studying the development issues.

Both Fortune Plaza and City Development Plaza are Grade A office projects. Under the booming supply and demand in the office building market in Guangzhou this year, the Manager actively seized the opportunity and prudently responded to competition and challenges through implementing effective leasing strategies. Given a high proportion of expiring leases this year, the Manager strove to achieve the optimum balance between rental increase and tenant mix when renewing leases and entering into new leases, which ensured the sustainability of revenue without affecting the quality of tenants. In addition, the Manager was committed to introducing quality tenants and the lease expansion for the existing major tenants, in order to further improve the tenant mix and gradually increase Properties competitiveness.



The Neo Metropolis is multiple functional commercial offices. The Manager continued to implement effective lease strategies and further enhance bargaining power, in order to achieve a high occupancy rate and improve the rental income of the Properties. Meanwhile, the Manager actively managed tenant mix, brought in more quality tenant resources by taking advantage of the opportunities arisen from expiring leases, which resulted in the continuous and steady growth of property income.

The Victory Plaza is the only retail commercial project in the current asset portfolio. Benefiting from the strong retail market after the Guangzhou Asian Games, the individual consumption demand of mainland residents continued to rise. Therefore, the Manager took the opportunity to continuously improve the tenant mix of this project and successfully introduced a high quality and distinctive retail apparel brand, as well as a well-known education and training institution, which significantly increased the rental income and augmented the mall's image and traffic flow. Currently, almost all the shops in Victory Plaza were rented out.

## **INVESTMENT AND FINANCIAL STRATEGY**

In the first half of 2011, the Chinese government kept on strengthening macro-control efforts, therefore, the residential real estate market continued to cool down. The Manager continued to adopt active and discreet investment and financial principles. Based on the long-term interest of the Unitholders, after adequate and thorough assessment of the market conditions and the capital market circumstances, the Manager strove to seek suitable acquisitions, in order to bring in long-term and stable investment income for the Unitholders.

The GZI REIT implemented stable financial strategies. As at 30 June 2011, the gearing ratio (total borrowings to total assets) was maintained at 25.8%, which was still a long way from the upper limit of 45% as required under the Code on REIT. A lower gearing ratio provides an advantage in the acquisition of the third party properties. Further expansion of the Properties portfolio provides long term benefits to Unitholders.

## **ASSET APPRECIATION STRATEGIES**

The Manager implemented various targeted, scientific and systematic asset appreciation strategies for the Properties owned by GZI REIT, and made good use of the potential value of the Properties portfolio, so as to attract more frequent customer flow, raise tenants satisfaction, prevent operating safety risks and pursue ideal investment return.

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

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

## **PROSPECTS**

It is expected during the second half of the year, the global economy will continue its recovery trend, but the recovery level will remain unbalanced. Affected by inflation and other factors, it becomes more and more possible that the accelerating Chinese economy will slow down, but the steadily growing trend of economy will remain unchanged as a whole.

# Report of the Chief Executive Officer

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As the investment and business environment of Guangzhou continues to improve, various industries benefit from this, and the overall consumption power is rising, making the retail and wholesale business stay buoyant. With the newly built office towers to be put into operation successively, this will better meet the strong demand of domestic and multi-national enterprises for office space.

We are cautiously optimistic and believe that benefiting from the sustained growth of the Chinese economy, the Manager of the GZI REIT, through implementing proactive and stable leasing strategies, together with effective asset value enhancement measures and actively grasping potential investment opportunities, 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 gratitude to all Unitholders, tenants and business partners for their strong support and cooperation!

**Liu Yongjie**

*Chief Executive Officer*

Hong Kong, 26 July 2011

# 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 and second supplemental deed dated 23 July 2010 (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.

## DISTRIBUTION

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

The Manager has resolved to declare an interim distribution to Unitholders for the 2011 Interim Period of approximately RMB0.1109 which is equivalent to HK\$0.1339 (2010: approximately RMB0.1087 which is equivalent to HK\$0.1246) per unit. This represents a 100% distribution of GZI REIT’s Total Distributable Income for the 2011 Interim Period.

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

The Manager confirms that the distribution referred above composes only of profit after tax before transactions with the Unitholders and does not include any profit elements in the nature of capital of GZI REIT.

The Manager has calculated the Total Distributable Income based on GZI REIT’s consolidated profit after tax before transactions with the Unitholders adjusted to eliminate the effects of certain non-cash items which have been recorded in the consolidated statement of comprehensive income for the relevant year or period.

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

## Distribution Per Unit

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



# Management Discussion and Analysis

## BUSINESS REVIEW

### Stable growth in operating results

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

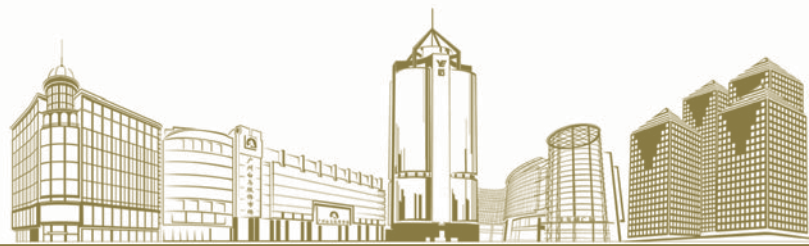
## PROPERTY PORTFOLIO AND VALUATION

As at 30 June 2011, GZI REIT consists of five properties - White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Neo Metropolis. The aggregate area of ownership was approximately 223,614.3 sq.m.; total rentable area was approximately 211,031.1 sq.m. (excluding 7,549.0 sq.m. parking space and 4,528.1 sq.m. of clubhouse and common facilities area of Neo Metropolis, and the following statistics of both current rented aggregate area and occupancy rate exclude the above area).

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

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

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



#### Particulars of the Properties:

Property	Type	Location	Year of Completion	Area of Ownership (Sq.m.)	Total Rental Area (Sq.m.)	Property Occupancy Rate <sup>(2)</sup>	# of Lease Contract <sup>(2)</sup>	Appraised Value <sup>(2)</sup> (RMB million)
White Horse Building	Wholesale shopping center	Yuexiu District	1990	50,199.3	50,128.9	100.00%	1,105	3,485.0
Fortune Plaza	Grade A office	Tianhe District	2003	41,355.2	41,355.2	99.64%	75	707.0
City Development Plaza	Grade A office	Tianhe District	1997	42,397.4	42,397.4	100.00%	66	559.0
Victory Plaza	Retail shopping center	Tianhe District	2003	27,698.1	27,262.3	99.96%	20	689.5
Neo Metropolis	Commercial complex	Yuexiu District	2007	61,964.3	49,887.3 <sup>(1)</sup>	100.00% <sup>(1)</sup>	121	676.0
Total				223,614.3	211,031.1	99.92%	1,387	6,116.5

Note: (1) excluding 7,549.0 sq.m. of parking space and 4,528.1 sq.m. of clubhouse and common facilities area;

(2) As at 30 June 2011.

### OCCUPANCY RATE STAYED AT HIGH LEVEL

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

The following table sets out a comparison of occupancy rates in respect of all the Properties between this Interim Period and the same period of previous year:

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

# Management Discussion and Analysis

## REVENUE CONTINUED TO INCREASE

For the 2011 Interim Period, the Properties recorded revenue of approximately RMB257,546,000, representing a 7.1% increase compared to that of the previous year. In particular, White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza and Neo Metropolis accounted for approximately 59.5%, 11.5%, 9.5%, 9.5% and 10.0% respectively of the total revenue of the Properties.

No bad debt was recorded during this Interim Period.

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

Name of Property	Revenue For 2011 Interim Period RMB million	Revenue For 2010 Interim Period RMB million	Increase Compared to 2010 Interim Period RMB million	Increase of Revenue From Properties %
White Horse Building	153.0	137.5	15.5	11.3%
Fortune Plaza	29.7	28.8	0.9	3.1%
City Development Plaza	24.5	24.5	0.0	0.0%
Victory Plaza	24.5	24.5	0.0	0.0%
Neo Metropolis	25.8	25.1	0.7	2.8%
Total	<u>257.5</u>	<u>240.4</u>	<u>17.1</u>	7.1%



### **White Horse Building — sustainable development by strengthening its foundation**

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

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

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

### **Victory Plaza — optimizing tenant mix and diversifying trade mix**

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

### **Neo Metropolis — proactive lease management and enhancement in both occupancy rate and rental income**

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

# Management Discussion and Analysis

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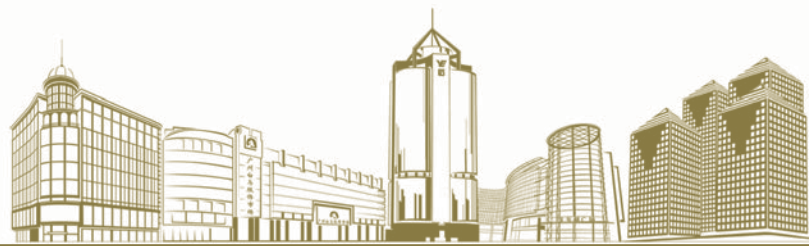
## **Actively propel asset enhancement project, achieve property value preservation and appreciation**

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

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

## **Actively be prepared for acquisition opportunities**

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



## FINANCIAL REVIEW

### Financial Results

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

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

Note 1 Property related tax includes urban real estate tax, land used right tax, business tax, flood prevention, city development tax, additional education fee and stamp duties.

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

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

# Management Discussion and Analysis

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Gross income was approximately RMB257,546,000 (2010: RMB240,432,000), which represents an increase of 7.1%. It is mainly because of an increase in average rent and the occupancy rate. The average rental income per square meter per month of five premises as at 30 June 2011 was approximately RMB207 (2010: RMB196).

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

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

Profit after tax before transactions with Unitholders amounted to approximately RMB839,541,000 (2010: RMB273,235,000), which represents 207.3% increase, mainly due to the fair value gain on properties valuation for the 2011 Interim Period being approximately RMB680,372,000, far higher than the amount of approximately RMB135,467,000 recorded for the same period of last year.

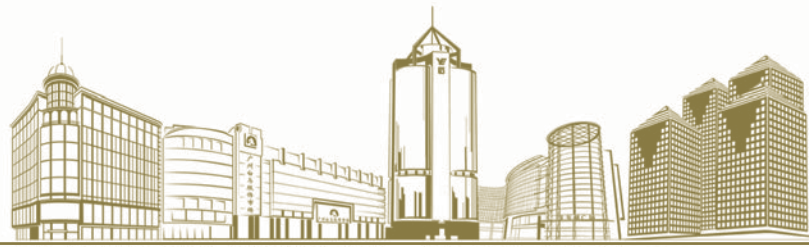
## **New Units Issued and Unit Activity**

There were no new units issued by GZI REIT during the 2011 Interim Period. As at 30 June 2011, a total of 1,065,972,687 units were issued by GZI REIT.

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

## **Asset Value**

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



## **CAPITAL STRUCTURE**

On 6 November 2008, GZI REIT has, through its SPVs, entered into a facility agreement with certain lending banks in connection with a three-year floating rate secured term loan facility of HK\$2.1 billion. The new loan was drawn down on 12 November 2008.

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

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

As at 30 June 2011, total liabilities of GZI REIT (excluding net assets attributable to the Unitholders) amounted to approximately RMB2,032,818,000, representing approximately 30.1% of total assets of GZI REIT.

The abovesaid gearing ratios are below the maximum borrowing limit of 45% as stipulated by the REIT Code.

### **Cash Position**

Cash balance of GZI REIT as at 30 June 2011 amounted to approximately RMB423,145,000 which is approximately HK\$508,820,000. GZI REIT has sufficient financial resources to satisfy its financial commitments and working capital requirements.

The Manager has adopted a conservative approach in cash management to ensure flexibility to meet the operational needs and the distributions of GZI REIT.

## **REVIEW OF FINANCIAL RESULTS**

The results of GZI REIT for the 2011 Interim Period have been reviewed by the Disclosures Committee and Audit Committee of the Manager and by the GZI REIT's auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **ISSUANCE OF 2011 INTERIM REPORT**

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



# Management Discussion and Analysis

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## REPURCHASE, SALE OR REDEMPTION OF UNITS

GZI REIT may, subject to the fulfillment of certain requirements, purchase its own Units on the Stock Exchange.

During the 2011 Interim Period, there was no repurchase, sale or redemption of units of GZI REIT by GZI REIT or any of its subsidiaries.

## SUMMARY OF ALL REAL ESTATE SALES AND PURCHASES

GZI REIT did not enter into any real estate sale and purchase during the 2011 Interim Period.

## EMPLOYEES

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

## CORPORATE GOVERNANCE

The Manager has adopted an overall corporate governance framework that is designed to promote the operation of GZI REIT in a transparent manner with built-in checks and balances which are critical to the performance of the Manager and consequently, the success of GZI REIT which it manages.

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

During the 2011 Interim Period, the Manager has complied with the provisions of the Compliance Manual for its management of GZI REIT.

## CLOSURE OF REGISTER OF UNITHOLDERS

The register of Unitholders will be closed from Tuesday, 20 September 2011 to Friday, 23 September 2011, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the distribution, all unit certificates with completed transfer forms must be lodged with GZI REIT’s unit registrar, Tricor Investor Services Limited, of 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 19 September 2011.

## 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, Neo Metropolis and Fortune Plaza 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 2011 Interim Period (RMB)
<b>City Development Plaza</b>									
Guangzhou Yicheng Property Management Limited (“Yicheng”)	1st floor	an associate of the Manager	97.0	1 May 2010	485	5	0	3	2,910
YXP	16th floor	a significant holder	1,060.5	1 Jan 2011	100,747	95	0	0.5	604,482
Guangzhou office of Yue Xiu	16th floor	a significant holder	46.1	1 Jan 2011	4,380	95	0	0.5	26,280
Guangzhou City Construction & Development Xingye Property Agent Ltd (“Xingye”)	24th floor	an associate of the Manager	818.07	1 Feb 2009	81,807	100	0	3	490,842
Guangzhou City Construction & Development Co., Ltd (“GCCD”)	24D	an associate of the Manager	208.19	1 Sep 2009	19,778	95	0	2	118,668
GCCD	17CD	an associate of the Manager	334.64	1 Jan 2011	31,791	95	0	0.5	190,746
								Sub-total:	1,433,928
<b>Neo Metropolis</b>									
Guangzhou White Horse Clothing Market Ltd	Basement 2nd, 3rd floors	an associate of the Manager	7,621.03	1 Aug 2009	100,000	13	0	3.42	585,910
Xingye	East Tower 1104	an associate of the Manager	127.27	1 Mar 2011	10,818	85	46	3	42,413
								Sub-total:	628,323
<b>Fortune Plaza</b>									
Xingye	East Tower 808	an associate of the Manager	188.80	1 Apr 2011	25,488	134	0	2	76,464
								Total:	2,138,715

## Connected Party Transactions

### Property Management Agreements

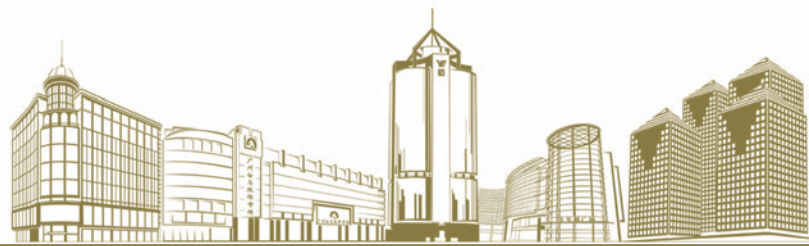
The following table sets forth information for the year in relation to the property management services provided by the connected parties to the properties of GZI REIT:

Property Manager	Relationship with GZI REIT	Property	Date of Agreement	Nature of transaction	Amount paid/ payable for 2011 Interim Period (RMB)
Guangzhou White Horse Property Management Co. Ltd. (“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	Neo Metropolis	28 Dec 2007	Property Management Agreement	N/A

### 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 2011 Interim Period (RMB)
White Horse Property Manager	Associate of Manager	White Horse Building	1 Jan 2011	Tenancy Services Agreement	4,593,000
Yicheng	Associate of Manager	Fortune Plaza	1 Jan 2011	Tenancy Services Agreement	1,159,000
Yicheng	Associate of Manager	City Development Plaza	1 Jan 2011	Tenancy Services Agreement	979,000
Yicheng	Associate of Manager	Victory Plaza	1 Jan 2011	Tenancy Services Agreement	979,000
Yicheng	Associate of Manager	Neo Metropolis and Fortune Plaza 1701	1 Jan 2011	Tenancy Services Agreement	1,063,000



## 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 2011 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

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 6 January 2011, 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 17 December 2010.

## 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)).

## Connected Party Transactions

### 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 2011 Interim Period (RMB)
HSBC Software Development (Guangdong) Limited ("HSBC Software")	4th storey <sup>(1)</sup>	4,275.1	1 Feb 2008	410,751	96	0	3	2,643,447
	5th storey <sup>(1)</sup>	4,275.1	1 Feb 2008	410,751	96	0	3	2,643,447
	3rd storey <sup>(2)</sup>	2,000.0	1 Dec 2006	192,160	96	60	4.2	1,224,759
<b>Total:</b>								<b>6,511,653</b>

- (1) On 1 February 2011, HSBC Software entered into a lease with Moon King Ltd, in respect of the 4th floor and 5th floor of Fortune Plaza, renewing for another 1.5 years commencing 1 February 2011. The rent per sq. meter was adjusted to approximately RMB105 per month.
- (2) On 1 February 2011, HSBC Software entered into a lease with Moon King Ltd., in respect of the 3rd floor of Fortune Plaza, renewing for another 1.5 years commencing 1 February 2011. The rent per sq. metre was adjusted to approximately RMB105 per month.

### Ordinary Banking Services

The following table sets forth information for the period in relation to the ordinary banking and financial services made between the HSBC Group and GZI REIT within the period:

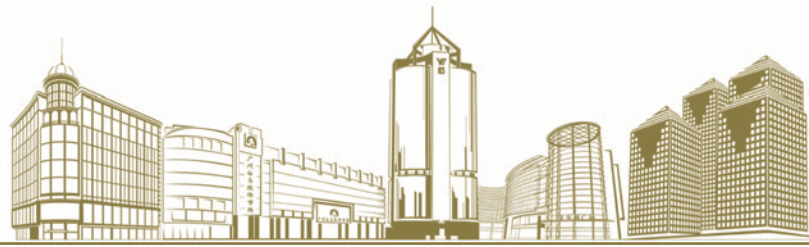
Nature of transaction	Date of agreement	Principal amount	Amount of fees paid/ payable within the 2011 Interim Period	Amount of interest paid/payable within the 2011 Interim Period (RMB)
Loan <sup>1</sup>	6 November 2008	HK\$310 million	—	3,712,000

<sup>1</sup> HSBC 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 2011 Interim Period.

### 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 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 2011 Interim Period.

### **Manager's Fees**

During the 2011 Interim Period, the aggregate amount of fees payable by GZI REIT to the Manager under the Trust Deed was approximately RMB14,724,000.

### **Trustee's Fees**

During the 2011 Interim Period, the aggregate amount of fees payable by GZI REIT to the Trustee under the Trust Deed was approximately RMB904,000.

### **Principal Valuer's Fees**

During the 2011 Interim Period, the aggregate amount of fees payable by GZI REIT to the Principal Valuer was RMB123,000.

### **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.

## Connected Party Transactions

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 2011		As at 30 June 2011		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
Mr. Liang Ningguang <sup>1</sup>	—	Nil	—	Nil	—	—
Mr. Liu Yongjie <sup>2</sup>	—	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.

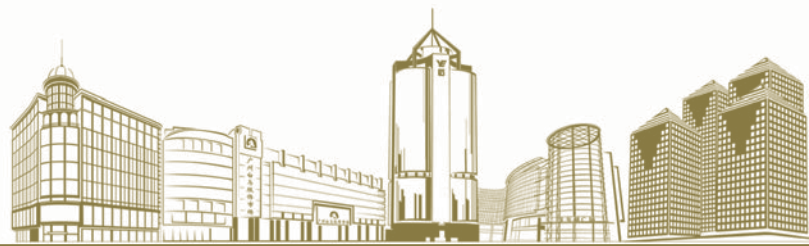
2 Mr. Liu is also the Chief Executive Officer of the Manager.

### 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 2011		As at 30 June 2011		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Guangzhou Yue Xiu Holdings Limited (“GZYX”) <sup>1</sup>	Deemed	388,514,767	36.45%	388,514,767	36.45%	—
	<b>Total</b>	<b>388,514,767</b>	<b>36.45%</b>	<b>388,514,767</b>	<b>36.45%</b>	—
Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”)	Beneficial	27,320	0%	27,320	0%	—
	Deemed	388,487,447	36.45%	388,487,447	36.45%	—
	<b>Total</b>	<b>388,514,767</b>	<b>36.45%</b>	<b>388,514,767</b>	<b>36.45%</b>	—
YXP <sup>2</sup>	Beneficial	—	—	—	—	—
	Deemed	379,253,182	35.58%	379,253,182	35.58%	—
	<b>Total</b>	<b>379,253,182</b>	<b>35.58%</b>	<b>379,253,182</b>	<b>35.58%</b>	—
Dragon Yield Holding Limited (“Dragon Yield”)	Beneficial	379,253,182	35.58%	379,253,182	35.58%	—
	Deemed	—	—	—	—	—
	<b>Total</b>	<b>379,253,182</b>	<b>35.58%</b>	<b>379,253,182</b>	<b>35.58%</b>	—



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

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Yue Xiu	GZYX	100.00	Y	27,320	—
	GZYX	100.00	N	388,487,447	—
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	—
YXP	Bosworth International Limited	34.06	N	379,253,182	—
Dragon Yield	YXP	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 Co., Ltd	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	1,299,230	—

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 2011		As at 30 June 2011		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Ms. Chen Huiqing	Personal <sup>(1)</sup>	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 2011.

### Unit Options

During the 2011 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 reviewed the interim financial information set out on pages 26 to 44, which comprises the interim condensed consolidated balance sheet of GZI Real Estate Investment Trust (“GZI REIT”) and its subsidiaries (together, the “Group”) as at 30 June 2011 and the related interim condensed consolidated statement of comprehensive income, distribution statement and interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on 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 presentation of this 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, 26 July 2011

# Interim Condensed Consolidated Balance Sheet

As at 30 June 2011

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
<b>Non-current assets</b>			
Machinery and tools	6	88	813
Investment properties	7	6,116,500	5,432,500
Deferred assets	8	39,154	42,269
Goodwill	9	160,324	160,324
		<u>6,316,066</u>	<u>5,635,906</u>
<b>Current assets</b>			
Tax recoverable		2,311	2,226
Prepayments, deposits and other receivables	10	7,042	7,206
Cash and cash equivalents	11	423,145	378,955
		<u>432,498</u>	<u>388,387</u>
<b>Total assets</b>		<u>6,748,564</u>	<u>6,024,293</u>
<b>Current liabilities</b>			
Rental deposits, current portion	13	34,922	34,828
Receipts in advance	13	8,715	9,007
Accruals and other payables	13	45,845	49,089
Due to related companies	21	31,536	16,756
Bank borrowings, secured	14	1,741,325	1,774,748
		<u>1,862,343</u>	<u>1,884,428</u>
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Rental deposits, non-current portion	13	87,120	83,364
Deferred tax liabilities	12	83,355	75,511
		<u>170,475</u>	<u>158,875</u>
<b>Total liabilities, other than net assets attributable to unitholders</b>		<u>2,032,818</u>	<u>2,043,303</u>
Net assets attributable to unitholders	15	4,715,746	3,980,990
<b>Total liabilities</b>		<u>6,748,564</u>	<u>6,024,293</u>
<b>Net assets</b>		<u>—</u>	<u>—</u>

# Interim Condensed Consolidated Balance Sheet (CONTINUED)

As at 30 June 2011

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
<b>Total equity</b>		—	—
<b>Net current liabilities</b>		1,429,845	1,496,041
<b>Total assets less current liabilities</b>		4,886,221	4,139,865
Units in issue ('000)		1,065,973	1,065,973
Net assets attributable to unitholders per unit (RMB)		4.42	3.73

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 consolidated interim financial information.

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Note	Unaudited	
		Six months ended 30 June	
		2011	2010
		RMB'000	RMB'000
Revenue - rental income		257,546	240,432
Operating expenses	16	(103,364)	(91,219)
Operating profit		154,182	149,213
Fair value gain on investment properties		680,372	135,467
Net finance income/(cost) - excluding amounts attributable to unitholders	18	17,300	(7,465)
Profit before tax and transactions with unitholders		851,854	277,215
Income tax expenses	19	(12,313)	(3,980)
Profit after tax before transactions with unitholders		839,541	273,235
Other comprehensive income for the period		—	—
Total comprehensive income for the period before transactions with unitholders		839,541	273,235
Change in net assets attributable to unitholders	15	839,541	273,235

Notes:

- (i) In accordance with the Trust Deed dated 7 December 2005, as amended by first supplemental deed on 25 March 2008 and second supplemental deed on 23 July 2010 (the "Trust Deed"), GZI REIT is required to distribute to unitholders not less than 90% distributable income for each financial period. GZI REIT has a limited life of 80 years from the date of establishment. Accordingly, the units contain contractual obligations to pay cash dividends and also upon termination of the trust, a share of all net cash proceeds derived from the sale or realisation of the assets of GZI REIT less any liabilities, in accordance with unitholders' proportionate interests in GZI REIT at the date of the termination of GZI REIT. The unitholders' funds are therefore classified as a financial liability rather than equity in accordance with HKAS 32, Financial Instruments: Disclosure and Presentation. Consistent with unitholders' funds being classified as a financial liability, the distributions to unitholders are part of finance costs which are recognised in the consolidated statement of comprehensive income. The classification does not have an impact on the net assets attributable to the unitholders. It only affects how unitholders' funds are disclosed in the balance sheet and how distributions are disclosed in the consolidated 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 20.

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

# Distribution Statement

For the six months ended 30 June 2011

	Note	Unaudited	
		Six months ended 30 June	
		2011	2010
		RMB'000	RMB'000
Profit after tax before transactions with unitholders		839,541	273,235
Adjustments for the total distributable income (i)			
- Fair value gain on investment properties		(680,372)	(135,467)
- Deferred taxation charged/(credited) to the statement of comprehensive income		5,349	(352)
- Amortisation charges on investment properties under China Accounting Standards		(5,115)	(5,115)
- Exchange gain on bank borrowings		(41,129)	(16,803)
Total distributable income		118,274	115,498
Distributable amount at 1 January		104,750	126,017
Distribution paid during the period (ii)	15	(104,785)	(125,623)
Distributable amount at 30 June		118,239	115,892
Interim distribution declared (iii)		118,239	115,871
Distribution per unit, declared (iii)		RMB0.1109	RMB0.1087

Notes:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after tax before transactions with unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the statement of comprehensive income for the relevant period.
- (ii) A distribution of RMB0.0983 per unit, totaling RMB104,785,000 (equivalent to HK\$124,186,000), was paid to unitholders on 19 May 2011.
- (iii) An interim distribution in respect of six months ended 30 June 2011 of RMB0.1109 (equivalent to HK\$0.1339) per unit, totaling RMB118,239,000 (equivalent to HK\$142,716,000) was declared by the Board of the Manager on 26 July 2011.

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

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

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

The notes on pages 31 to 44 are an integral part of this condensed consolidated 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 First Supplemental Deed dated 25 March 2008 and Second Supplemental Deed dated 23 July 2010) and authorised under section 104 of the Securities and Futures Ordinance (“SFO”) subject to the applicable conditions imposed by Securities and Futures Commission (“SFC”) from time to time. The address of its registered office is 24/F, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

GZI REIT was listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors of the Manager on 26 July 2011.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard 34, ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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



# Notes to the Condensed Consolidated Interim Financial Information

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

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

(a) New and amended standards by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

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

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

The following interpretation, amendments and revision to existing standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2011.

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

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments, except for amendment to HKAS 34 "Interim financial reporting" as disclosed in Note 3(a), are not expected to have a significant financial impact on the results and financial position of the Group.

(c) The following new standards and amendments to standards have been issued but are not effected for the financial year beginning 1 January 2011 and have not been early adopted:

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

<sup>1</sup> effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> effective for annual periods beginning on or after 1 January 2013

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

# Notes to the Condensed Consolidated Interim Financial Information

## 4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

## 5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management policies since year end.

## 6 MACHINERY AND TOOLS

	RMB'000
Six months ended 30 June 2010	
Opening net book amount as at 1 January 2010	3,230
Depreciation	(1,219)
	<hr/>
Closing net book amount as at 30 June 2010	2,011
	<hr/> <hr/>
<b>Six months ended 30 June 2011</b>	
Opening net book amount as at 1 January 2011	<b>813</b>
Depreciation	<b>(725)</b>
	<hr/>
Closing net book amount as at 30 June 2011	<b>88</b>
	<hr/> <hr/>

# Notes to the Condensed Consolidated Interim Financial Information

## 7 INVESTMENT PROPERTIES

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Beginning of the period	5,432,500	5,082,000
Additions	3,628	2,533
Fair value gain	680,372	135,467
End of the period	<u>6,116,500</u>	<u>5,220,000</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 2011 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.

In the interim condensed consolidated statement of comprehensive income, direct operating expenses include RMB18,946 (2010: RMB230,571) relating to investment properties that were vacant.

As at 30 June 2011, certain investment properties were pledged as collateral for the Group's bank borrowings (Note 14).

## 8 DEFERRED ASSETS

Rental income is recognised on an accrual 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. The deferred assets are denominated in RMB.

# Notes to the Condensed Consolidated Interim Financial Information

## 9 GOODWILL

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net book amount	<u>160,324</u>	<u>160,324</u>
Cost	<u>160,324</u>	160,324
Accumulated impairment	<u>—</u>	<u>—</u>
	<u>160,324</u>	<u>160,324</u>

### 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 five-year period.

Cash flows beyond the five-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 (per annum)	3%
Discount rate (per annum)	7.34%

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.

## 10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

# Notes to the Condensed Consolidated Interim Financial Information

## 11 CASH AND CASH EQUIVALENTS

As at 30 June 2011, included in the cash and cash equivalents of the Group are bank deposits of approximately RMB294,630,000 (31 December 2010: RMB215,580,000) denominated in RMB, 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 dollar and United States dollar.

The carrying amounts of cash and cash equivalents approximate their fair values.

## 12 DEFERRED TAX LIABILITIES

	<b>30 June 2011 Unaudited RMB'000</b>	31 December 2010 Audited RMB'000
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	<u>83,355</u>	<u>75,511</u>

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

	Fair value gains RMB'000	Others RMB'000	Withholding tax in respect of unremitted earnings of a subsidiary RMB'000	Total RMB'000
Six months ended 30 June 2010				
At 1 January 2010	57,141	9,095	3,875	70,111
(Credited)/charged to the statement of comprehensive income (Note 19)	<u>(2,619)</u>	<u>1,031</u>	<u>1,236</u>	<u>(352)</u>
At 30 June 2010	<u>54,522</u>	<u>10,126</u>	<u>5,111</u>	<u>69,759</u>
<b>Six months ended 30 June 2011</b>				
At 1 January 2011	57,681	11,424	6,406	75,511
Charged to the statement of comprehensive income (Note 19)	<u>5,349</u>	<u>1,155</u>	<u>1,340</u>	<u>7,844</u>
At 30 June 2011	<u>63,030</u>	<u>12,579</u>	<u>7,746</u>	<u>83,355</u>

There is no material unprovided deferred taxation as at 30 June 2011 (31 December 2010: Nil).

# Notes to the Condensed Consolidated Interim Financial Information

## 13 RENTAL DEPOSITS, RECEIPTS IN ADVANCE AND ACCRUALS AND OTHER PAYABLES

	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
Rental deposits		
Current portion	34,922	34,828
Non-current portion	87,120	83,364
	<u>122,042</u>	<u>118,192</u>
Receipts in advance	<u>8,715</u>	<u>9,007</u>
Provision for withholding tax payable	7,689	8,102
Provision for business tax, flood prevention, city development and additional education fee	5,861	5,611
Construction fee payables	3,685	4,810
Accruals for operating expenses	<u>28,610</u>	<u>30,566</u>
Accruals and other payables	<u>45,845</u>	<u>49,089</u>
	<u>176,602</u>	<u>176,288</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 RMB.

# Notes to the Condensed Consolidated Interim Financial Information

## 14 BANK BORROWINGS, SECURED

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Current	<u><b>1,741,325</b></u>	<u>1,774,748</u>

Bank borrowings are denominated in Hong Kong dollar and secured by investment properties of Partat Investment Limited, Moon King Limited, Full Estates Investment Limited and Keen Ocean Limited amounting to RMB5,423,603,000.

The effective interest rate of the bank borrowings at the balance sheet date was 2.01% (31 December 2010: 1.99%) per annum. The carrying amounts of the borrowings approximate their fair values.

The Group has no undrawn borrowing facilities as at 30 June 2011 (31 December 2010: Nil).

## 15 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Beginning of the period	<b>3,980,990</b>	3,586,849
Transfer from the statement of comprehensive income	<b>839,541</b>	273,235
Distribution paid during the period	<b>(104,785)</b>	(125,623)
End of the period	<u><b>4,715,746</b></u>	<u>3,734,461</u>

# Notes to the Condensed Consolidated Interim Financial Information

## 16 EXPENSES BY NATURE

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

Notes:

- (i) The Group received leasing, marketing and tenancy management services from two leasing agents, namely, Guangzhou Yicheng Property Management Ltd. and White Horse Property Management Co. Ltd (Note 21).
- (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%

## 17 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

## 18 NET FINANCE INCOME/(COST) - EXCLUDING AMOUNTS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Interest income from bank deposits	1,318	1,182
Interest expense for bank borrowings	(17,441)	(17,396)
Loan transaction costs for bank borrowings	(7,706)	(8,054)
Net foreign exchange gains	41,129	16,803
	<u>17,300</u>	<u>(7,465)</u>
Net finance income/(cost)	<u>17,300</u>	<u>(7,465)</u>

## 19 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% (2010: 25%).

For other subsidiaries with operations in China, the corporate income tax was paid by way of withholding tax as disclosed in Note 16(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	
	2011 RMB'000	2010 RMB'000
Current income tax		
- China enterprise income taxation	4,469	4,332
Deferred income tax (Note 12)	7,844	(352)
	<u>12,313</u>	<u>3,980</u>
	<u>12,313</u>	<u>3,980</u>

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period ended 30 June 2011 is 25% (2010: 25%).

# Notes to the Condensed Consolidated Interim Financial Information

## 20 EARNINGS PER UNIT BASED UPON PROFIT AFTER TAX BEFORE TRANSACTIONS WITH UNITHOLDERS

Earnings per unit based upon profit after tax before transactions with unitholders for the six months ended 30 June 2011 is approximately RMB0.7876 (2010: RMB0.2563). The calculation of earnings per unit is based on profit after tax before transactions with unitholders of approximately RMB839,541,000 (2010: RMB273,235,000) and on average units in issue of 1,065,973,000 units (2010: 1,065,973,000 units) during the period.

Diluted earnings per unit is not presented as there is no dilutive instrument for the six months ended 30 June 2011.

## 21 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

As at 30 June 2011, the Group was significantly influenced by Yuexiu Property 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 2011:

<b>Connected party</b>	<b>Relationship with GZI REIT</b>
Yuexiu Property Company Limited ("YXP") <sup>1</sup>	A major unitholder of GZI REIT
GZI REIT Asset Management Limited (the "Manager") <sup>1</sup>	A subsidiary of YXP
Guangzhou Yicheng Property Management Ltd. ("Yicheng") <sup>1</sup>	A subsidiary of YXP
White Horse Clothings Market Ltd ("White Horse JV") <sup>1</sup>	A subsidiary of YXP
White Horse Property Management Co. Ltd1 ("White Horse PM") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction & Development Xingye Property Agent Ltd. ("Xingye") <sup>1</sup>	A subsidiary of YXP
Guangzhou City Construction & Development Co. Ltd. ("GCCD") <sup>1</sup>	A subsidiary of YXP
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") <sup>1</sup>	A major shareholder of YXP
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	The trustee of GZI REIT
Vigers Appraisal & Consulting (the "Valuer")	The principal valuer of GZI REIT
The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries (the "HSBC Group")	Related parties of the Trustee

<sup>1</sup> 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

## 21 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	
	2011 RMB'000	2010 RMB'000
Asset management fee paid/payable to the Manager (ii)	(14,724)	(14,054)
Management fee paid/payable to Yicheng	(4,180)	(4,168)
Management fee paid/payable to White Horse PM	(4,593)	(4,124)
Rental income received/receivable from Xingye	610	491
Rental income received/receivable from YXP	604	602
Rental income received/receivable from Yue Xiu	26	26
Rental income received/receivable from Yicheng	3	3
Rental income received/receivable from White Horse JV	586	586
Rental income received/receivable from GCCD	309	309
Trustee fee paid/payable to the Trustee	(904)	(845)
Valuation fee paid/payable to the Valuer	(123)	(229)
Transactions with the HSBC Group		
- Interest expense paid/payable to the HSBC Group	(3,712)	(2,568)
- Rental income received/receivable from the HSBC Group	6,512	5,676
- Interest income from the HSBC Group	19	12
	<u>19</u>	<u>12</u>

Notes:

- (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.

# Notes to the Condensed Consolidated Interim Financial Information

## 21 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:

	<b>Unaudited 30 June 2011 RMB'000</b>	Audited 31 December 2010 RMB'000
Balance with Yicheng		
Amount due to Yicheng	(708)	(720)
Balance with White Horse PM		
Amount due to White Horse PM	(769)	(702)
Balance with the Manager		
Amount due to the Manager	<u>(30,059)</u>	<u>(15,334)</u>

All balances with related parties are unsecured, interest-free, repayable on demand and approximate to their fair values. All the balances are denominated in RMB, except for the balance with the Manager which is denominated in Hong Kong dollar.

### (c) Key management compensation

There was no key management compensation for the period ended 30 June 2011 (2010: Nil).

## 22 CAPITAL COMMITMENTS

	<b>Unaudited 30 June 2011 RMB'000</b>	Audited 31 December 2010 RMB'000
Capital commitments in respect of investment properties, contracted but not provided for	<u>6,195</u>	<u>1,639</u>

# Notes to the Condensed Consolidated Interim Financial Information

## 23 FUTURE MINIMUM RENTAL RECEIVABLES

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

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

## Performance Table

	<b>30 June 2011</b>	30 June 2010
Net assets attributable to unitholders (RMB)	<b>4,715,746,000</b>	3,734,461,000
Net assets attributable to unitholders per unit (RMB)	<b>4.42</b>	3.50
Equivalent to HK\$	<b>5.31</b>	4.01
The highest premium of the traded price to net asset value (i)	—	—
The highest discount of the traded price to net asset value (i)	<b>HK\$1.40</b>	HK\$1.07
Net yield per unit (ii)	<b>23.28%</b>	8.88%
Number of units in issue	<b>1,065,972,687 units</b>	1,065,972,687 units

Note:

- (i) The highest premium is calculated based on the highest traded price of HK\$4.40 (2010: HK\$3.57) on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the period from 1 January 2011 to 30 June 2011. The highest discount is calculated based on the lowest traded price of HK\$3.91 (2010: HK\$2.94) on the Stock Exchange during the period from 1 January 2011 to 30 June 2011. Since the highest traded price during the six months ended 30 June 2011 was HK\$4.40, which was lower than the net asset value as at 30 June 2011, no premium of the traded price to net asset value was presented for 30 June 2011.
- (ii) Net yield per unit is calculated based on profit after tax before transactions with Unitholders per unit for the period from 1 January 2011 to 30 June 2011 over the traded price on the Stock Exchange of HK\$4.02 (2010: HK\$3.29) as at 30 June 2011.

# Corporate and Investor Relations Information

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## 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

## 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

24th Floor  
Yue Xiu Building  
160 Lockhart Road  
Wanchai, Hong Kong

## 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

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## 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

GZI REIT, please contact:

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MANAGER



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