



GZI Real Estate Investment Trust

*(a Hong Kong collective investment scheme authorised under section 104
of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*
(Stock Code: 405)

**Managed by
GZI REIT ASSET MANAGEMENT LIMITED**

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

GZI Real Estate Investment Trust (“GZI REIT”) is a Hong Kong real estate investment trust constituted by a trust deed dated 7 December 2005 (“Trust Deed”) between HSBC Institutional Trust Services (Asia) Limited as the trustee (“Trustee”) and GZI REIT Asset Management Limited as the manager (“Manager”). GZI REIT was listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 21 December 2005 (“Listing Date”).

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

TOTAL DISTRIBUTABLE INCOME

The total distributable income (“Total Distributable Income”) (as defined in the Trust Deed) of GZI REIT to the unitholders of GZI REIT (“Unitholders”) for the six-month period from 1 January 2007 to 30 June 2007 (“2007 Interim Period”) amounted to approximately HK\$110,735,000 (2006: HK\$103,375,000), representing distribution per unit of HK\$0.1107 (2006: HK\$0.1033).

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

DISTRIBUTION

In accordance with the Trust Deed, GZI REIT will distribute no less than 90% of Total Distributable Income to the Unitholders. The Manager’s policy is to distribute to the Unitholders 100% of GZI REIT’s Total Distributable Income for each of the 2006, 2007 and 2008 financial years and thereafter at least 90% of Total Distributable Income in each financial year.

The Manager has resolved to declare an interim distribution to Unitholders for the 2007 Interim Period of HK\$0.1107 (2006: HK\$0.1033) per unit.

The 2007 interim distribution amounting to approximately HK\$110,700,000 (2006: HK\$103,375,000), in aggregate, will be effected on 30 October 2007 and be payable to the Unitholders whose names appear on the register of Unitholders on 29 October 2007.

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

The Manager has calculated the Total Distributable Income based on GZI REIT's consolidated profit after tax before transactions with the Unitholders and considered that no adjustments were required to eliminate the effects of certain non-cash items as may be required by the Trust Deed.

MANAGEMENT DISCUSSION AND ANALYSIS

The Properties held by the GZI REIT are White Horse Building Units, Fortune Plaza Units, City Development Plaza Units and Victory Plaza Units. They have a total gross floor area of approximately 160,651 square meters and a total gross rentable area of approximately 160,145 square meters. As at 30 June 2007, the overall occupancy rate of the properties was approximately 98.0%, total operating income for the 2007 Interim Period was approximately HK\$196,048,000. Total Distributable Income was approximately HK\$110,735,000, with distribution per unit of approximately HK\$0.1107. Based on the offer price of HK\$3.075 per unit as at the Listing Date, the distribution rate was 3.6%. Based on the closing price of HK\$3.08 per unit on 30 June 2007, the distribution rate was 3.59%, representing an increase of 7.16% when compared with the distribution of HK\$0.1033 per unit during the same period of the previous year. All business operations performed well with excellent momentum for continuous growth at a stable development pace.

Occupancy Rate of Properties continued to stay at higher levels

As at 30 June 2007, the gross floor area of the Properties under lease amounted to approximately 156,886 square meters with the overall occupancy rate of approximately 98.0%, representing a slight decline of 0.6 percentage point compared to the same period of 2006, while the occupancy rate was approximately 99.3% for the White Horse Building Units, 99.6% for the Fortune Plaza Units, 98.7% for the City Development Plaza Units and 92.0% for the Victory Plaza Units. When compared with the same period of the previous year, the occupancy rates of the Fortune Plaza Units and the City Development Plaza Units increased by 1.5 and 1.7

percentage points respectively. Under the impact of an increase in market supply in the peripheral areas, tenants of certain units located less favorably within the White Horse Building Units had surrendered their leases, as a result the occupancy of the White Horse Building Units decreased slightly by 0.4 percentage point. After Guangzhou Xindaxin Co., Ltd. and its assignee had terminated their leases, approximately 13,321 square meters of the Victory Plaza Units become available for letting. Following the lease expansion of GOME by an additional space of approximately 9,448 square meters and the leasing of another 1,677 square meters during the 2007 Interim Period, only 2,196 square meters rentable area were left vacant resulting in a slight drop of occupancy by 7.6 percentage point at the Victory Plaza Units at the end of the 2007 Interim Period. At present, negotiation with a number of branded clients is underway, it is expected there will be improvement in the operating environment of the surrounding areas of the Victory Plaza Units in the second half of the year, the occupancy rate will rise steadily and return to a more favorable level.

The following table shows a comparison of occupancy rates in respect of all the Properties between the current and the same period of 2006:

Name of Property	Occupancy	Occupancy	Percentage
	Rate as at 30 June 2007	Rate as at 30 June 2006	Increase/ Decrease(-) compared to 30 June 2006
White Horse Building Units	99.3%	99.7%	-0.4
Fortune Plaza Units	99.6%	98.1%	1.5
City Development Plaza Units	98.7%	97.0%	1.7
Victory Plaza Units	92.0%	99.6%	-7.6
The Properties	98.0%	98.6%	-0.6

Rental income from Properties and rental levels grew steadily

During the 2007 Interim Period, the Properties earned a total rental income of approximately HK\$192,979,000, together with other operating income of approximately HK\$3,069,000, total operating income amounted to HK\$196,048,000, representing an increase of 7.3% over the same period of the previous year.

During the 2007 Interim Period, White Horse Building Units, Fortune Plaza Units, City Development Plaza Units and Victory Plaza Units accounted for 67.2%, 12.7%, 11.2% and 8.9% respectively of the total operating income from the Properties.

As at 30 June 2007, despite a slight reduction of approximately 955 square meters in leased area when compared with the same period of the previous year, the average rental level of the Properties increased steadily during the reporting period. When compared with the same period of last year, the average rental level of leased out units recorded an overall growth rate of approximately 2.4%, of which the largest percentage increase came from Victory Plaza Units which recorded an average rate of increase of approximately 10.1%, giving a strong indication of higher potential for further increases, then followed by Fortune Plaza Units and City Development Plaza Units with the average rate of increase at approximately 6.4% and 4.0% respectively, while rental levels of White Horse Building Units were basically level.

No bad debt was recorded during the 2007 Interim Period.

The following table presents the performance of total operating income generated from all the properties during the 2007 Interim Period:

Name of Property	Total Operating Income (HK\$ million)	Operating Income from a Specific Property as a Percentage of Total Operating Income
White Horse Building Units	131.8	67.2
Fortune Plaza Units	24.9	12.7
City Development Plaza Units	21.9	11.2
Victory Plaza Units	<u>17.4</u>	<u>8.9</u>
The Properties	<u>196.0</u>	<u>100%</u>

Stable overall operations of Properties, enhanced project competitiveness

Fortune Plaza Units and City Development Plaza Units: greater renewal efforts, ensure stable operations

In respect of the two specific office properties, Fortune Plaza Units and City Development Plaza Units, we focused on strengthening customer relationship management, in particular the management of substantial customers, by enhancing service quality, increasing customer satisfaction, retaining quality customers, optimizing tenant mix and enhancing the competitiveness of the specific property.

Through stronger lease renewal management and steady growth of renewal rate, the average renewal rate of Fortune Plaza Units and City Development Plaza Units exceeded 80% during the first half of the year. Major customers such as HSBC, Citibank, Shenzhen Development Bank, PetroChina, Taikang Life, COSCO International Freight Co., Ltd. (COSFRE), AstraZeneca, etc. were all retained, none was lost. At the same time, lease renewals and new tenant rental levels of Fortune Plaza Units and City Development Plaza Units were favourable and grew by 8.2% and 5.7% respectively. Tenant mix was adjusted, the proportion of rental space occupied by foreign, Hong Kong, Macau and Taiwanese enterprises was as high as 70%, and the proportion of rental space occupied by the financial sector was approximately 40%. Major tenants of City Development Plaza Units were mainly large domestic listed companies, 60% of them rented space of over 1,000 square meters.

White Horse Building Units and Victory Plaza Units: create specialty features, enhance competitive edge

Victory Plaza Units: Following the official launching of the “Number One Store of GOME Electric Appliance in the PRC” in May this year, Victory Plaza Units and other shopping malls in the Tianhe commercial circle were basically in a state of differential competition. In order to increase customer traffic at Victory Plaza, we actively worked with and provided support to the anchor tenant GOME Electric Appliance in their marketing promotional activities. At the same time, by combining with the new positioning requirements of Victory Plaza, target customers were specifically attracted. The office towers were completed at the end of July this year, and the underground air defense shelter at Ti Yu Xi Road was expected to be completed by the end of September this year. By leveraging on this opportunistic timing, we have secured “rbt” (仙蹤林) and a Japanese beverage outlet successfully during the first half of the year, and currently we are in negotiation with a renowned foreign bank, a coffee shop chain and a daily necessities store. Through readjustment, the specialty features of the Plaza and its power of influence will be steadily enhanced.

White Horse Building Units: In order to consolidate the leading position of White Horse Building Units in the wholesale clothing market of China and to relieve the competition pressure arising from the increased supply of shop spaces in the peripheral areas, we have increased the number of exchange meetings with the business associations and merchants of the clothing industry from all parts of China, and numerous arrangements were organized for merchants of White Horse Building Units to attend fashion exhibitions held in both Mainland and Hong Kong assisting them in the development of sales channels. At the same time, we also contact enterprises of developing fashion brands in all parts of China proactively to create an

ample reserve pool of customer resources. For internal reforms, we actively pursued to improve the hardware of White Horse Building Units, refurbishment and renovation of certain floors of the building, renovation of the electrical cable system and the building's identification system were completed one after the other during the first half of the year. With obvious improvement in the business environment, the competitive edge of White Horse Building Units was further enhanced.

Enhanced safety management and prevent property operational risk

In order to protect the safety of assets and to ensure proper implementation of the function of property management, we particularly emphasized on the monitoring and management of front line property operators (property management and leasing agent service providers). We will conduct quarterly evaluation on the fire safety management of the four Properties together with the professional property consultancy firm Jones Lang LaSalle and undertake appropriate remedial actions against existing problems. And from June onwards, detailed inspection and testing were carried out on all equipment and facilities of the properties, in order to provide support for the next phase of renewal and reform plans for these equipment and facilities. Besides, we also carry out regular or irregular inspections on the Properties and to strengthen monitoring and communication in order to ensure top line property operators have complied with requirements in the relevant contract and the management requirements of GZI REIT in property management. Also, front line property operator will conduct fire drills and other contingency drills from time to time, organize enhanced training for management staff and tenants, introduce preventive measures against various types of property operational risks and improve the capabilities to handle various types of unexpected incidents.

Enhance management efficiency and reduce operational cost

Guangzhou Yicheng Property Management Ltd. ("Yicheng Ltd.") and White Horse Property Management Company Ltd. ("White Horse Ltd.") are the top line property operators of GZI REIT. Yicheng Ltd. is responsible for the management of three specific properties, namely, Fortune Plaza, City Development Plaza Units and Victory Plaza Units. White Horse Ltd. is responsible for the management of White Horse Building Units. The management of Yicheng Ltd. and White Horse Ltd. merged in June 2007. The integration would not affect Yicheng Ltd. and White Horse Ltd. in respect of their separate independent legal person status, business scope and existing legal relationship with GZI REIT. After the integration, the manager of the GZI REIT is in a more favorable position to strengthen the monitoring of reassigning functions of top line property operators and to increase management efficiency. At the same time, after the merger, by pooling together the strengths of quality personnel and corporate governance of both Yicheng Ltd. and White Horse Ltd., it favours the

improvement of their own operational management standards, enhancement of property management quality and comprehensive competitiveness. This will have a positive impact on the long term and stable development of GZI REIT in future and also in the best interest of the GZI REIT Unitholders.

Future Prospects

Looking forward to the second half of the year, we believe the overall domestic economic environment in the PRC will continue to flourish, sustaining a rapid and stable development pace. It is expected the office market in Guangzhou will enter the phase of peak supply, with more intense market competition and hence certain pressure on the operation of office properties. Meanwhile, the rapid and strong growth of the financial, trade and consultancy services industries, together with the large and expanded demand from foreign enterprises and the small and medium enterprises, the leasing market for office space will gain solid support. Underpinned by the growth of purchasing power and consumer demand, good development opportunities in retail and wholesale shopping malls are envisaged.

Regarding the two specific office properties, Fortune Plaza and City Development Plaza, we are highly concerned about the merchant solicitation results of newly built specific office properties within the same neighbourhood areas. By improving and enhancing property management and service quality continuously to retain quality customers and by actively acquiring new customers through various channels to optimize the mix of customers, competitiveness will be enhanced.

On stabilizing the basis of office operations, we shall focus on the two commercial projects of White Horse Building and Victory Plaza. The key focus of work on White Horse Building is to put in greater publicity and promotional efforts to allure more new tenants, strengthen customer relationship management, foster market research, closely monitor market operational trends and maintain operational stability of the shopping malls. Victory Plaza must make use of the advantageous and opportunistic timing upon completion of the office towers and the underground air defense shelter at Ti Yu Xi Road in the second half of the year when road surface traffic conditions will improve. For existing vacant units, efforts will be focused on attracting foreign banks, specialty food and beverage outlets, branded merchandise shops or franchised shops in order to increase the occupancy rate and to enhance the specialty business features of the properties.

While we maintain stable operations of existing projects, we also pursue positive and careful investment strategies to foster progress in acquiring and listing of specific properties on current reserve for injecting new energies for the growth of GZI REIT.

FINANCIAL REVIEW

Distribution Per Unit

Distribution to Unitholders for the 2007 Interim Period of HK\$0.1107 (2006: HK\$0.1033) per unit represents a yield of approximately 3.59% (2006: 3.33%) per unit based on the closing price of HK\$3.08 per unit as at 30 June 2007. This represents an annualized distribution yield of 7.19%.

Using the initial public offer (“IPO”) price of HK\$3.075 per unit, the total distribution per unit represents a yield of 3.6%.

Unit Activity

Since the listing of GZI REIT on 21 December 2005, a total of 1,000,000,000 units were issued. The closing price as at 30 June 2007 was HK\$3.08 per unit which represents a slight increase compared to the IPO price of HK\$3.075 per unit.

GZI REIT’s unit price reached a high of HK\$3.31 and a low of approximately HK\$3.00 during the 2007 Interim Period. The volume transacted during the 2007 Interim Period was 334,309,088 units, equivalent to an average of 2,762,885 units daily.

Asset Value

The net assets attributable to the Unitholders per unit as at 30 June 2007 was approximately HK\$3.335 (31 December 2006: HK\$3.20), which represents an increase of 4.2%. The total net tangible assets attributable to Unitholders per unit as at 30 June 2007 was approximately HK\$3.171 (31 December 2006: HK\$3.041), which represents an increase value per unit of 4.3%.

Financial Results

Both rental income and net property income were higher than the interim period of 2006. The following is a summary of GZI REIT's financial results during the 2007 Interim Period:

	Six months ended 30 June		% of
	2007	2006	Increase/ (decrease)
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	
Gross income	<u>196,048</u>	<u>182,741</u>	7.3%
Leasing agents' fee	(6,524)	(6,097)	7.0%
Property related taxes	(15,309)	(14,137)	8.3%
Other property expenses (<i>Note 1</i>)	<u>(2,026)</u>	<u>(1,331)</u>	52.2%
Total property operating expenses	<u>(23,859)</u>	<u>(21,565)</u>	10.6%
Net property income	<u>172,189</u>	<u>161,176</u>	6.8%
Withholding tax	(18,758)	(17,477)	7.3%
Manager's fees	(11,883)	(11,445)	3.8%
Trustee's fees	(702)	(664)	5.7%
Other trust expenses (<i>Note 2</i>)	<u>(7,874)</u>	<u>(5,640)</u>	39.6%
Total non-property expenses	<u>(39,217)</u>	<u>(35,226)</u>	11.3%
Profit before finance costs, interest income and tax	132,972	125,950	5.6%
Interest income	3,657	2,257	62.0%
Finance costs - excluding amounts attributable to Unitholders	<u>(25,894)</u>	<u>(24,832)</u>	4.3%
Profit after tax before transactions with Unitholders	<u>110,735</u>	<u>103,375</u>	7.1%

Note 1 Other property expenses include valuation fee, insurance premium, depreciation, etc.

Note 2 Other trust expenses include audit fees, printing charges, unit registrar's fees, listing fees, legal advisory, company secretarial fees, etc.

Profit after tax before transactions with Unitholders amounted to approximately HK\$110,735,000 (2006: HK\$103,375,000), which represents 7.1% increase.

Gross revenue and net property income were approximately HK\$196,048,000 (2006: HK\$182,741,000) and approximately HK\$172,189,000 (2006: HK\$161,176,000) respectively, which represents an increase of 7.3% and 6.8% respectively while comparing with 2006.

Property operating expenses increased by 10.6% as compared with 2006.

Other trust expenses increased by approximately HK\$2,234,000 as compared with 2006. This is mainly attributable to the increase in unit registrar's fees and the increase in professional fees for services rendered by legal advisers.

PERFORMANCE TABLE

The following table shows the performance of GZI REIT during the 2007 Interim Period and the 2006 Interim Period:

	Six months ended 30 June	
	2007	2006
Distributions per unit (<i>Note a</i>)	HK\$0.1107	HK\$0.1033
Earnings per unit	HK\$0.1107	HK\$0.1033
Net assets attributable to		
Unitholders value per unit	HK\$3.335	HK\$3.144
Net tangible assets attributable to		
Unitholders per unit	HK\$3.171	HK\$2.991
Offer price per unit upon listing	HK\$3.075	HK\$3.075
Closing price per unit	HK\$3.080	HK\$3.100
Yield per unit based on offer price	3.60%	3.36%
Yield per unit based on closing price	3.59%	3.33%
Number of units in issue	1,000,000,000 units	1,000,000,000 units
Highest premium of traded price to net assets attributable to		
Unitholders	—	HK\$0.556
Highest discount of traded price to net assets attributable to		
Unitholders	HK\$0.335	HK\$0.294
Total assets	HK\$4,862 million	HK\$4,563 million
Total liabilities, excluding net assets attributable to Unitholders	HK\$1,527 million	HK\$1,419 million
Net assets attributable to		
Unitholders	HK\$3,335 million	HK\$3,144 million
Net tangible assets (net assets attributable to Unitholders minus goodwill)	HK\$3,171 million	HK\$2,991 million
Total borrowings as a percentage of gross assets (<i>Note b</i>)	26%	28%
Gross liabilities as a percentage of gross assets (<i>Note c</i>)	31%	31%
Net property income	HK\$172.189 million	HK\$161.176 million

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

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

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

LIST OF REAL ESTATE HELD BY GZI REIT

Information on the Properties is summarized as follows:

The Properties	Gross Rentable area as at 30 June 2007 square metres	Valuation as at 31 December 2006 HK\$'000
White Horse Building Units	50,129	2,696,327
Fortune Plaza Units	40,356	581,865
City Development Plaza Units	42,398	410,222
Victory Plaza Units	27,262	551,657
The Properties	160,145	4,240,071

CAPITAL STRUCTURE

The capital management policy of GZI REIT is to achieve optimal debt profile. GZI REIT, through its special purpose vehicles, entered into a facility agreement with a syndicate of banks for a US\$165 million three-year term loan facility. Total borrowings (excluding debt-related expenses) as a percentage of value of gross assets is 26% whilst total liabilities (excluding debt-related expenses) as a percentage of value of gross assets is 31%. The bank borrowings are secured and the security package includes, among others, a registered mortgage over each of the Properties, assignment of rental income and all other proceeds arising from each of the Properties and of all tenancy agreements relating to each of the Properties and a legal mortgage over the shares of the special purpose vehicle holding the Properties companies.

REVIEW OF FINANCIAL RESULTS

The results of GZI REIT for the 2007 Interim Period have been reviewed by the Disclosures Committee and Audit Committee of the Manager and by the GZI REIT's auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

ISSUANCE OF 2007 INTERIM REPORT

The interim report of GZI REIT for the six months ended 30 June 2007 will be published on the websites of the Stock Exchange and GZI REIT and will be sent to Unitholders on or before 31 August 2007.

REPURCHASE, SALE OR REDEMPTION OF UNITS

Pursuant to the Trust Deed, the Manager shall not repurchase any units on behalf of GZI REIT until permitted to do so by the relevant codes and guidelines issued by the Securities and Futures Commission from time to time.

During the 2007 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 2007 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 (“the 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 2007 Interim Period, the Manager has complied with the provisions of the Compliance Manual for its management of GZI REIT.

NEW UNITS ISSUED

There were no new units issued during the 2007 Interim Period.

CLOSURE OF REGISTER OF UNITHOLDERS

The register of Unitholders will be closed from Tuesday, 23 October 2007 to Monday, 29 October 2007, 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 Monday, 22 October 2007.

FINANCIAL STATEMENTS

The directors of the Manager are pleased to announce the condensed consolidated interim results of GZI REIT and its subsidiaries for the period from 1 January 2007 to 30 June 2007 as follows:-

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 JUNE 2007

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		9,350	9,775
Investment properties		4,393,387	4,240,071
Deferred assets		16,857	9,610
Goodwill		<u>163,952</u>	<u>158,290</u>
		<u>4,583,546</u>	<u>4,417,746</u>
Current assets			
Rental receivables	4	—	19
Prepayments, deposits and other receivables	4	5,592	5,829
Cash and cash equivalents		<u>272,488</u>	<u>253,846</u>
		<u>278,080</u>	<u>259,694</u>
Total assets		<u>4,861,626</u>	<u>4,677,440</u>

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	Note		
Current liabilities			
Rental deposits, current portion		13,678	9,919
Receipts in advance		18,371	12,721
Accruals and other payables		34,634	23,939
Due to related companies		<u>12,993</u>	<u>22,144</u>
		79,676	68,723
Non-current liabilities, excluding net assets attributable to Unitholders			
Rental deposits, non-current portion		65,064	64,963
Bank borrowings, secured		1,284,543	1,266,469
Derivative financial instruments	5	<u>97,803</u>	<u>77,578</u>
		<u>1,447,410</u>	<u>1,409,010</u>
Total liabilities, excluding net assets attributable to Unitholders			
		1,527,086	1,477,733
Net assets attributable to Unitholders		<u>3,334,540</u>	<u>3,199,707</u>
Total liabilities			
		<u>4,861,626</u>	<u>4,677,440</u>
Net assets			
		<u>—</u>	<u>—</u>
Equity			
Hedging reserve		(21,592)	(35,608)
Retained earnings		<u>21,592</u>	<u>35,608</u>
Total equity			
		<u>—</u>	<u>—</u>
Units in issue ('000)		<u>1,000,000</u>	<u>1,000,000</u>
Net assets attributable to Unitholders per unit		<u>HK\$3.335</u>	<u>HK\$3.200</u>

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

		Six months ended 30 June 2007 (Unaudited) HK\$'000	Six months ended 30 June 2006 (Unaudited) HK\$'000
	Note		
Revenue — rental income		196,048	182,741
Operating expenses	6	<u>(63,076)</u>	<u>(56,791)</u>
Operating profit		132,972	125,950
Interest income from bank deposits		3,657	2,257
Finance costs — excluding amounts attributable to Unitholders	7	<u>(25,894)</u>	<u>(24,832)</u>
Profit before tax and transactions with unitholders		110,735	103,375
Income tax expenses	8	<u>—</u>	<u>—</u>
Profit after tax before transactions with Unitholders		110,735	103,375
Finance costs attributable to Unitholders (i)		<u>(124,751)</u>	<u>(128,311)</u>
Result for the period		<u>(14,016)</u>	<u>(24,936)</u>

Note:

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN
EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Hedging reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 January 2006	(11,281)	11,281	—
Change in fair value of cash flow hedges	24,936	—	24,936
Result for the period	<u>—</u>	<u>(24,936)</u>	<u>(24,936)</u>
Balance at 30 June 2006	<u>13,655</u>	<u>(13,655)</u>	<u>—</u>
Balance at 1 January 2007	(35,608)	35,608	—
Change in fair value of cash flow hedges	14,016	—	14,016
Result for the period	<u>—</u>	<u>(14,016)</u>	<u>(14,016)</u>
Balance at 30 June 2007	<u>(21,592)</u>	<u>21,592</u>	<u>—</u>

**DISTRIBUTION STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit after tax before transactions with Unitholders	110,735	103,375
Adjustments for the total distributable income (i)	<u>—</u>	<u>—</u>
Total distributable income for the period	110,735	103,375
Distributable amount at 1 January	103,426	40,543
Distribution paid during the period (ii)	<u>(103,400)</u>	<u>—</u>
Distributable amount at 30 June (iii)	<u>110,761</u>	<u>143,918</u>
Distribution per unit, proposed	<u>HK\$0.1107</u>	<u>HK\$0.1438</u>

Note:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit after tax before transactions with Unitholders adjusted to eliminate the effects of certain non-cash adjustments which have been recorded in the income statement for the relevant year or period. There are no such adjustments during the six months ended 30 June 2007.
- (ii) A distribution of HK\$0.1034 per Unit, totalling HK\$103,400,000 was paid to Unitholders on 23 May 2007.
- (iii) Pursuant to the terms of Trust Deed, GZI REIT's first distribution covered the period from 21 December 2005 (GZI REIT's listing date) to 30 June 2006. Accordingly, distributable amount as at 30 June 2006 included the distributable amount of HK\$40,543,000 and HK\$103,375,000 for the period from 7 December 2005 (establishment date of GZI REIT) to 31 December 2005 and six-month period ended 30 June 2006 respectively to the Unitholders of GZI REIT.

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from operating activities:		
Net cash generated from operations	134,014	163,219
Interest paid on bank borrowings	<u>(21,674)</u>	<u>(20,849)</u>
 Cash flows from operating activities — net	 <u>112,430</u>	 <u>142,370</u>
Net cash used in investing activities		
Purchase of property, plant and equipment	(365)	—
Purchase of investment properties	(1,634)	—
Decrease in an amount due to a related company	—	(55,000)
Interest received	<u>3,657</u>	<u>2,257</u>
 Cash flows from investing activities — net	 <u>1,658</u>	 <u>(52,743)</u>
Net cash used in financing activities		
Distribution paid	<u>(103,400)</u>	<u>—</u>
 Cash flows from financing activities — net	 <u>(103,400)</u>	 <u>—</u>
 Increase in cash and cash equivalents	 10,688	 89,627
Exchange difference	7,954	—
Cash and cash equivalents at the beginning of the period	<u>253,846</u>	<u>235,917</u>
 Cash and cash equivalents at the end of the period	 <u><u>272,488</u></u>	 <u><u>325,544</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

GZI Real Estate Investment Trust and its subsidiaries (collectively referred to as 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 and authorised under section 104 of the Securities and Futures Ordinance (“SFO”) subject to the applicable conditions imposed by Securities and Futures Commission (“SFC”) from time to time. The address of its registered office is 24/F, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

GZI REIT is listed on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial information was approved for issue by the Board of Directors of the Manager on 21 August 2007.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2007 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 interim condensed financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2006.

3 Accounting policies

The accounting policies adopted are consistent with those set out in the audited financial statements for the year ended 31 December 2006 except as described below.

(a) **Effect of adopting new standards, amendments to standards and interpretations**

The following new standards, amendments to standards and interpretations are mandatory for financial period ended 30 June 2007.

- HK(IFRIC) — Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies;
- HK(IFRIC) — Int 8, Scope of HKFRS 2;
- HK(IFRIC) — Int 9, Reassessment of embedded derivatives;
- HK(IFRIC) — Int 10, Interim Financial Reporting and Impairment;
- HK(IFRIC) — Int 11, HKFRS 2 — Group and Treasury Share Transaction; and
- HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures.

The Manager does not expect the adoption of the above has material impact to the consolidated financial statements of the Group.

(b) **Standards, amendments to standards and interpretations have been issued but are not effective**

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

- HKFRS 8, Operating Segments, effective for annual periods beginning on or after 1 January 2009;
- HK(IFRIC)-Int 12, Service Concession Arrangement, effective for annual periods beginning on or after 1 January 2008;
- HKAS 23 (Revised), Borrowing Costs, effective for annual periods beginning on or after 1 January 2009.

The Group will adopt the above when they become effective. The Manager does not expect the adoption of the above has material impact on the consolidated financial statements of the Group.

4 Rental receivables, prepayments, deposits and other receivables - Group

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Rental receivables	—	19
Less: provision for impairment of receivables	<u>—</u>	<u>—</u>
Rental receivables — net	—	19
Prepayments, deposits and other receivables	<u>5,592</u>	<u>5,829</u>
	<u><u>5,592</u></u>	<u><u>5,848</u></u>

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

The majority of the Group's rental income is received in cash and there is no specific credit terms given to the tenants. The rental receivables are generally fully covered by the rental deposits from corresponding tenants. All rental receivables at 30 June 2007 and 31 December 2006 are aged within 30 days.

There is no concentration of credit risk with respect to rental receivables, as the Group has a large number of tenants.

5 Derivative financial instruments - Group

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest rate and currency swaps — cash flow hedges		
Beginning of the period	77,578	11,231
Fair value losses/(gains)	17,167	(13,240)
Exchange difference	<u>3,058</u>	<u>—</u>
Ending of the period	<u>97,803</u>	<u>(2,009)</u>

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedge item is less than 12 months.

Interest rate and currency swaps

The notional principal amounts of the outstanding interest rate and currency swap contracts at 30 June 2007 were US\$165,000,000 (31 December 2006: US\$165,000,000).

At 30 June 2007, the fixed interest rate for the bank borrowings varied from 3.18% to 3.28% and the floating rate was LIBOR plus 1.35%. The contract reference exchange rate for the bank borrowings was 8.07847 Renminbi per one US dollar and the spot rate was the exchange rate announced by the State Administration of Foreign Exchange in China.

Gains and losses recognised in the hedging reserve in equity on interest rate and currency swap contracts as of 30 June 2007 will be continuously released to the income statement until the repayment of the secured bank borrowings.

6 Expenses by nature

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Property management fee (i)	6,524	6,097
Urban real estate tax	5,219	4,725
Business tax and flood prevention fee	9,979	9,264
Withholding tax (ii)	18,758	17,477
Depreciation expenses of property, plant and equipment	1,122	341
Asset management fee	11,883	11,445
Trustee's remuneration	702	664
Valuation fee	100	40
Legal and professional fee	1,738	500
Auditors' remuneration	750	750
Bank charges	31	16
Others	<u>6,270</u>	<u>5,472</u>
Total operating expenses	<u>63,076</u>	<u>56,791</u>

Note:

- (i) The Group received leasing, marketing and tenancy management services from two leasing agents, namely, Guangzhou YiCheng Property Management Ltd. and White Horse Property Management Co. Ltd.
- (ii) Withholding tax on the rental income and interest income in China is calculated based on the rental income (net of business tax paid) and interest income at a rate of 10 per cent.

7 Finance costs

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expense:		
- bank borrowings wholly repayable within five years	25,753	25,073
Net foreign exchange transaction gains	(31,042)	(11,937)
Transfer from hedging reserve:		
- interest rate and currency swaps: cash flow hedge	<u>31,183</u>	<u>11,696</u>
	<u>25,894</u>	<u>24,832</u>

8 Income tax expenses

No China enterprise income tax has been provided as the Group has no assessable profit in China.

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong.

There is no material unprovided deferred taxation as at 30 June 2007 and 31 December 2006.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law brings forth certain changes to all China tax payers which include enterprises established within China or enterprises established outside of China. The new CIT Law also provides for preferential tax rates, possible exemptions or reductions to China's withholding tax for China sourced income and grandfathering provisions for certain previous preferential tax treatments as well as determination of taxable profit. As at the date that this interim financial information is approved for issue, detailed interpretation to the new CIT Law have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact of the new CIT Law to its corporate income tax position in China. The Group will continue to evaluate the impact as more detailed regulations are announced.

9 Earnings per unit based upon profit after tax before transactions with Unitholders

Earnings per unit based upon profit after tax before transactions with Unitholders for the six months ended 30 June 2007 is approximately HK\$0.1107 (2006: HK\$0.1033). The calculation of earnings per unit is based on profit after tax before transactions with Unitholders of approximately HK\$110,735,000 (2006: HK\$103,375,000) and on 1,000,000,000 units (2006: 1,000,000,000 units) in issue during the period.

Diluted earnings per unit is not presented as there are no dilutive instruments for the six months ended 30 June 2007.

10 Future minimum rental receivable — Group

At 30 June 2007, the Group had future minimum rental receivable under non-cancellable leases as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Not later than one year	377,655	372,491
Later than one year and not later than five years	775,855	858,224
Later than five years	<u>—</u>	<u>4</u>
	<u>1,153,510</u>	<u>1,230,719</u>

By order of the board of directors of
GZI REIT Asset Management Limited
(as manager of GZI Real Estate Investment Trust)
Liang Ningguang
Chairman

Hong Kong, 21 August 2007

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

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