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**越秀房地產投資信託基金**  
**GZI Real Estate Investment Trust**

(Stock Code: 405)

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

**Managed by**



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

**ANNOUNCEMENT**

**(I) COMPLETION OF CONNECTED PARTY TRANSACTIONS IN  
RELATION TO THE ACQUISITION OF THE NEW PROPERTY AND  
THE ISSUE OF CONSIDERATION UNITS**

**(II) RESUMPTION OF TRADING**

**Completion**

Reference is made to the announcement by the Manager dated 14 January 2008 and the circular dated 4 February 2008 regarding the Acquisition. The Board is pleased to announce that completion of the Acquisition took place on 1 June 2008 and the consideration payable in relation to the Acquisition of approximately HK\$677.3 million (subject to adjustment payment to be made in accordance with the audited financial statements as mentioned in the section headed “Completion of Acquisition” in this announcement) was satisfied as follows:

- (a) part thereof of approximately HK\$203.2 million by way of issue and allotment of the 65,972,687 Consideration Units on 2 June 2008;
- (b) balance thereof of approximately HK\$474.1 million by way of payment in cash on 2 June 2008 as funded by a floating rate bridging loan facility.

### **Resumption of Trading**

At the request of the Manager, trading in the Units on the Hong Kong Stock Exchange was suspended with effect from 9:30 a.m. on 2 June 2008 pending the release of this announcement. Application has been made for the resumption of trading of the Units on the Hong Kong Stock Exchange at 9:30 a.m. on 3 June 2008.

Reference is made to the announcement by the Manager dated 14 January 2008 and the circular (the “Circular”) dated 4 February 2008 regarding the Acquisition. Unless otherwise defined in this announcement, terms defined in the Circular have the same meanings herein.

### **BACKGROUND**

On 14 January 2008, the Vendor, the Guarantor, the Manager and the Purchaser (i.e. the Trustee in its capacity as trustee of GZI REIT) entered into the Agreement pursuant to which the Purchaser has agreed to acquire the entire issued share capital and Shareholder Loans of the BVI Company which, together with the Domestic JV Partner, holds the Property Company which in turn holds the New Property.

Both the Vendor and the Manager are wholly owned subsidiaries of GZI and are connected persons of GZI REIT and each of the Transactions constitutes a connected party transaction of GZI REIT under Paragraph 8.11 of the REIT Code. Further, Paragraph 12.2 of the REIT Code requires Unitholders’ approval by way of an Ordinary Resolution where units are issued to a connected person or in relation to a connected party transaction that requires Unitholders’ approval under Chapter 8 of the REIT Code.

At the extraordinary general meeting of Unitholders held on 26 February 2008, Ordinary Resolutions were duly passed to approve each of the Transactions.

### **COMPLETION OF ACQUISITION**

The Board is pleased to announce that completion of the Acquisition took place on 1 June 2008. As mentioned in the Circular, an adjustment payment reflecting, inter alia, the difference between the combined net assets of the BVI Company and the Property Company as at 30 September 2007 and as at the Completion, will be made in accordance with the audited financial statements as of the date of Completion which is to be produced no later than 104 days from the date of Completion. The Manager will make further announcement(s) as soon as practicable after the determination and payment of the adjustment payment.

## FINANCING FOR THE ACQUISITION

The Acquisition Value of the Acquisition is approximately HK\$677.3 million. The consideration paid upon Completion of approximately HK\$677.3 million (subject to adjustment payment to be made in accordance with the audited financial statements as mentioned in the section headed “Completion of Acquisition” in this announcement) was satisfied by the issue of Consideration Units and cash.

### (a) Consideration Units

Approximately HK\$203.2 million being part of the consideration was satisfied by way of the issue and allotment of the 65,972,687 new Units at HK\$3.08 per Unit to Dragon Yield, the Vendor’s nominated person on 2 June 2008. The Consideration Units are credited as fully paid, free from all encumbrances and rank pari passu in all respects with the exiting Units except that the Consideration Units were not entitled to distribution in relation to the total distributable income for the period from 1 July 2007 to 31 December 2007. The issue price of HK\$3.08 per Consideration Unit represents the Market Price which also represents:

- (i) an approximately 6.2% premium to the closing price of HK\$2.90 per Unit as quoted on the Hong Kong Stock Exchange on 30 May 2008, the last Trading Date prior to the date of this announcement;
- (ii) a discount of approximately 12.9% to the audited consolidated net asset value per Unit as at 31 December 2007 of HK\$3.535.

The Consideration Units, represents 6.6% of GZI REIT’s Unit base as on 30 May 2008, the last Trading Date prior to the date of this announcement and 6.2% of GZI REIT’s Unit base as enlarged by the Consideration Units, are not subject to any lock up or any restrictions from disposal. Immediately after the issue and allotment of the Consideration Units, GZI’s unitholding in GZI REIT increased from approximately 31.3% to 35.6%, while other Unitholders’ interest in GZI REIT was reduced from approximately 68.7% to 64.4%. Approval for the listing of, and permission to deal in, the Consideration Units on the Main Board was granted by the Listing Committee of the Hong Kong Stock Exchange.

**(b) Cash Consideration**

The balance of the consideration payable for the Acquisition, together with the Manager's share of expenses incurred in the Transactions in the aggregate amount of approximately HK\$485 million, were satisfied in cash and funded by the proceeds of the financing arrangement detailed below. The cash consideration was paid to the Vendor's nominated person on 2 June 2008.

**FINANCING ARRANGEMENT**

On 1 June 2008, the BVI Company as borrower and GZI REIT (Holding) 2005 Company Limited ("Holdco"), a wholly owned subsidiary of the Trustee (acting in its capacity as trustee of GZI REIT) as guarantor entered into the facility agreement dated 1 June 2008 ("Facility Agreement") with The Hongkong and Shanghai Banking Corporation Limited (as lender) in connection with HK\$485,000,000 floating rate bridging loan facility ("Loan Facility"). The Final Maturity Date of the Loan Facility is 19 December 2008. The BVI Company fully drawn down on the Loan Facility and onward lent the funds to the Purchaser (in its capacity as trustee of GZI REIT) for payment of the balance of the consideration payable for the Acquisition and the expenses incurred in the Transactions and in relation to the Loan Facility on 2 June 2008.

The Loan Facility is guaranteed on a joint and several basis by the Trustee (in its capacity as trustee of GZI REIT) and Holdco. The Trustee's guarantee is subject to the proviso that its obligations as a guarantor will be limited to the aggregate amount of, and be paid from, the assets held by it for GZI REIT.

Interest under the Loan Facility is payable quarterly at a rate of 0.75% per annum above HIBOR, and the principal will be payable in one lump sum on the Final Maturity Date.

The Facility Agreement contains certain covenants and undertakings provided, inter alia, by the BVI Company including (without limitation) negative pledges, provision of financial and operational information and valuation report(s) and maintenance of insurances. In particular, the GZI REIT, on a consolidated basis, must maintain an aggregate interest coverage ratio of not less than two times. If the interest coverage ratio at any time falls below two times, it will constitute an event of default under the Facility Agreement.

A security margin (being the ratio of the aggregate principal amount of all borrowings by the Group to the aggregate value of the Existing Properties and the New Property as shown by the then latest annual valuation reports) of no more than 50.0% must be maintained. In the event that such margin exceeds 50.0%, it will constitute an event of default under the Facility Agreement.

It will also constitute an event of default under the Facility Agreement if GZI ceases to hold, directly or indirectly, at least 15.0% of all Units in issue at any time. Other events of default under the Facility Agreement includes (without limitation) non-payment of any sum under the Facility Agreement or any security provided in respect of the Loan Facility, misrepresentation, cross default in relation to the financial indebtedness of the BVI Company or GZI REIT, breach of any financial covenants under the Facility Agreement, change of control of the BVI Company, suspension of trading of the Units on the Hong Kong Stock Exchange for more than a specified number of days, termination of listing of the Units on the Hong Kong Stock Exchange and the occurrence of any material adverse change to the BVI Company or the GZI REIT which is reasonably likely to adversely affect the ability of the relevant parties to perform any obligations under the Facility Agreement or any security provided in respect of the Loan Facility. If any event of default under the Facility Agreement occurs, the lender may declare a default and demand the immediate repayment of all outstanding loan and other sums under the Facility Agreement, and enforce the security provided in respect of the Loan Facility.

As disclosed in the Circular, the Manager's original intention was to issue the Proposed Convertible Bonds to finance the Acquisition, however after considering the recent volatility in the equity markets and the terms of the Loan Facility, the Manager believes that the Loan Facility would give sufficient flexibility to GZI REIT and the Manager to assess the financing options before determining a more suitable long term financing solution for GZI REIT. For more details please refer to the section headed "Refinancing of the existing US\$165 million three-year floating term loan facility and the Loan Facility" in this announcement.

Having considered the terms of the Loan Facility and having regard to the latest market conditions, the Directors (including the independent non-executive Directors) consider that the Loan Facility is on arm's length commercial terms and are fair and reasonable and in the interests of the Unitholders as a whole.

## **FINANCIAL EFFECTS — LEVERAGE RATIO**

Based on the information set out in the Circular and the audited financial statements of GZI REIT for the year ended 31 December 2007, immediately upon completion of the Acquisition:

- the value of the assets of GZI REIT will increase from approximately HK\$5,192 million to approximately HK\$6,122 million<sup>1</sup>
- the value of the borrowings of GZI REIT will increase from approximately HK\$1,281 million to approximately HK1,766 million<sup>2</sup>
- the leverage ratio of GZI REIT will increase from approximately 24.7% to approximately 28.9%

1 The value of the assets is subject to adjustment after determination of the adjustment payment reflecting, inter alia, the difference between the combined net assets of the BVI Company and the Property Company as at 30 September 2007 and as at the Completion,

2 For the avoidance of doubt, net assets attributable to Unitholders are not parts of and have not been included in the total borrowings.

## **WAIVER FOR PROVISION OF ORDINARY BANKING AND FINANCIAL SERVICES BY THE HSBC GROUP**

The Group's entering into of the Facility Agreement with The Hongkong and Shanghai Banking Corporation Limited is a connected party transaction as the Trustee is a wholly owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited.

The SFC has granted a waiver from strict compliance with the requirement for announcement or Unitholders' approval under Chapter 8 of the REIT Code in respect of the provision of "ordinary banking and financial services" by the HSBC Group (i.e. The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of GZI REIT)) to the Group. The Loan Facility extended falls within the definition of "ordinary banking and financial services".

The disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions have been modified as set out in the section headed “Connected Party Transactions — 2. Waivers in relation to Trustee Connected Persons” of the IPO Offering Circular. Information of the Loan Facility transaction will be disclosed in the annual report of GZI REIT in accordance with the said modified disclosure and reporting requirements.

### **REFINANCING OF THE EXISTING US\$165 MILLION THREE-YEAR FLOATING RATE TERM LOAN FACILITY AND THE LOAN FACILITY**

Taking into account the current market conditions, the repayment term of the Existing Loan Facility (as defined below) and the terms of the Loan Facility, the Directors (including the independent non-executive Directors) consider that (i) obtaining the short term Loan Facility; and (ii) arranging refinancing of the Existing Loan Facility and the Loan Facility at the same time upon their maturities on 19 December 2008 (as detailed below), are in the interest of the Unitholders as a whole.

- (a) US\$165 million three-year floating rate term loan facility (“Existing Loan Facility”)

On 7 December 2005, Citibank, N.A., Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and DBS Bank Ltd., Hong Kong Branch as lending banks entered into a facility agreement with Partat Investment Limited, Moon King Limited, Full Estates Investment Limited and Keen Ocean Limited as borrowers and Holdco as guarantor in connection with the Existing Loan Facility. The Existing Loan Facility was fully drawn down on 21 December 2005. Interest under the Existing Loan Facility is payable quarterly and principal will be payable in one lump sum at the end of the three-year period commencing from 21 December 2005 (i.e. 21 December 2008 which is a non-Business Day and the immediately preceding Business Day is 19 December 2008). For more details of the Existing Loan Facility, please refer to the section headed “Material Agreements and other Documents relating to GZI REIT — Facility Agreement” of the IPO Offering Circular.

- (b) HK\$485,000,000 floating rate bridging loan facility (“Loan Facility”)

As detailed in the above section headed “Financing Arrangement” in this announcement, the Final Maturity Date of the Loan Facility is 19 December 2008.



The Manager currently intends to issue the Proposed Convertible Bonds pursuant to the power of the Manager to issue Units (together with other source of financing) to fund repayment of the Existing Loan Facility and the Loan Facility. Subject to the prevailing market conditions and the estimated cost involved, the Manager may obtain other sources of financing (either through debt and/or equity financing) to satisfy all repayment of the Existing Loan Facility and the Loan Facility in lieu of the issuance of the Proposed Convertible Bonds. If the Proposed Convertible Bonds are issued, application will be made to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Proposed Convertible Bonds and the Units to be issued upon conversion of the Proposed Convertible Bonds and a separate announcement will be made to the Unitholders.

## **CONTINUING CONNECTED PARTY TRANSACTIONS**

Upon completion of the Acquisition, GZI REIT has entered or will enter into the following transactions with different parties which are connected persons of GZI REIT as a result of their connection with the Manager:

### **1. LEASING TRANSACTIONS**

The Property Company has entered into a tenancy agreement with the Tenant in relation to certain carparking spaces at the New Property. This tenancy agreement was entered into in the ordinary and usual course of business of the Property Company, on normal commercial terms and was based on market pricing. As the Tenant is a subsidiary of GZI and therefore a connected person of GZI REIT, upon Completion this tenancy agreement will become and constitute a connected party transaction of GZI REIT under Paragraph 8.11 of the REIT Code.

### **2. PROPERTY MANAGEMENT ARRANGEMENTS**

The Property Manager has been appointed to manage the common areas in the Building. The relevant property management agreement(s) were entered into in the ordinary and usual course of business of the Property Company, on normal commercial terms and based on market pricing. As the tenants in the New Property (and not the Property Company) pay the property management fees to the Property Manager, no caps are required in respect of such property management fees.



### **3. TENANCY SERVICES AGREEMENT**

GZI REIT will enter into a Tenancy Services Agreement in respect of the New Property with the Property Manager which is a subsidiary of GZI and therefore a connected person of GZI REIT. The Property Manager is currently managing 3 properties out of the Existing Properties and the tenancy services transaction constitutes a connected party transaction of GZI REIT under Paragraph 8.11 of the REIT Code. The Tenancy Services Agreement will be entered into as has been the case for the Existing Properties which has been on normal commercial terms and was based on market pricing.

### **4. WAIVERS GRANTED AND CONDITIONS IMPOSED**

Subject to certain conditions (including but not limited to the following conditions), the SFC has granted waivers from strict compliance with the disclosure and approval requirements under Chapter 8 of the REIT Code in respect of, inter alia, the leasing transactions, the property management arrangements in relating to the Existing Properties and tenancy services transactions between the Group and persons which are connected with GZI REIT as a result of their connection with the Manager:

(a) *Annual caps*

In any relevant Financial Year, the annual value of the leasing transactions and the Tenancy Services Agreements shall not exceed the respective annual cap amounts set out in the IPO Offering Circular.

(b) *Initial Waiver Period*

The waivers for such connected party transactions will be for an initial duration commencing from the Listing Date and ending on 31 December 2008 (“Initial Waiver Period”).

For the property management arrangements in respect of the New Property, the Manager has applied to the SFC and the SFC has granted a waiver from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code subject to the same compliance requirements and conditions as those for the property management arrangements in respect of the Existing Properties provided that such waiver conditions shall be extended to a period up to 31 December 2010. As the tenants in the New Property (and not the Property Company) pay the property management fee to the Property Manager, no caps are required.

## **5. INCREASE THE ANNUAL CAPS AND EXTEND THE INITIAL WAIVER PERIOD**

With the Acquisition and the increase of the scale of GZI REIT's operation, the Board sought and the Unitholders have approved at the extraordinary general meeting held on 26 February 2008 (a) increase of the relevant annual caps for leasing transactions and the Tenancy Services Agreements; and (b) extension of the Initial Waiver Period for a period up to and including 31 December 2010. For details of the increase in the annual caps and the reasons behind, please refer to the section headed "Letter from the Board — III. Continuing Connected Party Transactions" of the Circular.

## **RESUMPTION OF TRADING**

At the request of the Manager, trading in the Units on the Hong Kong Stock Exchange was suspended with effect from 9:30 a.m. on 2 June 2008 pending the release of this announcement. Application has been made for the resumption of trading of the Units on the Hong Kong Stock Exchange at 9:30 a.m. on 3 June 2008.

Made by the order of the Board, the members of which individually and jointly accept responsibility for the accuracy of this announcement.

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, 2 June 2008

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

*Executive Directors: Messrs. Liang Ningguang and Liu Yongjie*

*Non-executive Director: Mr. Liang Youpan*

*Independent Non-executive Directors: Messrs. Chan Chi On, Derek, Lee Kwan Hung, Eddie and Chan Chi Fai, Brian.*