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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**

**REFINANCING OF EXISTING BANK BORROWINGS AND  
SIMULTANEOUS TERMINATION OF  
EXISTING HEDGING ARRANGEMENTS**

The board of directors (“**Board**”) of GZI REIT Asset Management Limited, the manager (“**Manager**”) of GZI Real Estate Investment Trust (“**GZI REIT**”), announces that GZI REIT has, on 6 November 2008, through its special purpose vehicles, entered into a facility agreement with certain lending banks in connection with a three-year floating rate secured term loan facility of HK\$2,100 million. The funds of the new loan facility are intended to be used primarily for refinancing the existing secured bank borrowings of GZI REIT, simultaneous termination of the existing hedging arrangements of GZI REIT, and financing the fees and expenses incurred and to be incurred by GZI REIT in connection with the new loan facility and/or the general working capital requirements of the borrowers of the new loan facility.

## Background

In connection with the initial public offering by GZI REIT in December 2005, the GZI REIT, through its special purpose vehicles, namely Partat Investment Limited, Moon King Limited, Full Estates Investment Limited and Keen Ocean Limited (collectively “**Term Loan Borrowers**”) (as borrowers) and GZI REIT (Holding) 2005 Company Limited (“**Holdco**”) (as guarantor) entered into a facility agreement dated 7 December 2005 with certain lending banks (including, among others, The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”)) (collectively “**Term Loan Lenders**”) for a three-year floating rate secured term loan facility of US\$165 million (“**Term Loan**”). The Term Loan was fully drawn down on 21 December 2005, the date on which the units of GZI REIT were first listed on the Stock Exchange. The Term Loan is repayable in 3 years from the date of drawdown. In conjunction with the Term Loan, each of the Term Loan Borrowers had also entered into plain vanilla interest rate and currency hedging arrangements with the Term Loan Lenders (“**Existing Hedging Arrangements**”) to rationally and prudently manage the interest rate and foreign exchange fluctuation risks arising from the floating rate and United States dollar (“**USD**”) denominated Term Loan. Please refer to the offering circular of GZI REIT dated 12 December 2005 (“**Offering Circular**”) for further details on the Term Loan and the Existing Hedging Arrangements. As a result, GZI REIT obtained the Term Loan at a floating rate and converted it into a fixed rate facility at approximately 3.2% per annum for the entire three-year horizon, which was lower than rate for a three-year fixed rate loan facility at that time. As disclosed in the 2007 annual report of GZI REIT, as at 31 December 2006 and 31 December 2007, exchange rate changes and interest rate changes on USD denominated borrowings had been designated and qualified as cash flow hedges and were recognised in the hedging reserve in equity, and hence there had been no material impact on profit for the years ended 31 December 2006 and 31 December 2007.

Furthermore, on 1 June 2008, GZI REIT, through its special purpose vehicle, Metrogold Development Limited (“**Metrogold**”) (as borrower) and Holdco (as guarantor) entered into a facility agreement with HSBC (as lender) for a floating rate secured bridge loan facility of HK\$485 million (“**Bridge Loan**”). The Bridge Loan was fully drawn down on 2 June 2008. The final maturity date of the Bridge Loan is 19 December 2008. Please refer to the announcement of GZI REIT dated 2 June 2008 for further details on the Bridge Loan.

As the Term Loan and the Bridge Loan (collectively “**Existing Bank Borrowings**”) and the Existing Hedging Arrangements will become due in December 2008, the Manager has negotiated with certain lending banks (including, among others, HSBC) (collectively “**New Loan Lenders**”) for a new loan facility (“**New Loan**”), the funds of which are intended to be used by the Term Loan Borrowers and Metrogold (collectively “**New Loan Borrowers**”) for refinancing the Existing Bank

Borrowings, the simultaneous termination of the Existing Hedging Arrangements, and financing the fees and expenses incurred and to be incurred by GZI REIT in connection with the New Loan and/or general working capital requirements of the New Loan Borrowers. A brief summary of the agreed terms of the New Loan is set out below.

### **Refinancing of Existing Bank Borrowings and Simultaneous Termination of Existing Hedging Arrangements**

The New Loan Borrowers (as borrowers) and Holdco (as guarantor) entered into a facility agreement (“**New Loan Agreement**”) dated 6 November 2008 (“**New Loan Agreement Date**”) with the New Loan Lenders in connection with a three-year floating rate at HIBOR + 1.75% secured term loan facility of HK\$2,100 million. The availability period is 2 months from the New Loan Agreement Date. The final maturity date of the New Loan is 36 months after the first drawdown date (“**New Loan Final Maturity Date**”). It is intended that the New Loan Borrowers will fully draw down on the New Loan on 12 November 2008 for refinancing of the Existing Bank Borrowings, the simultaneous termination of the Existing Hedging Arrangements, and financing the fees and expenses incurred and to be incurred by GZI REIT in connection with the New Loan and/or general working capital requirements of the New Loan Borrowers.

The New Loan is guaranteed on a joint and several basis by HSBC Institutional Trust Services (Asia) Limited, the trustee of GZI REIT (“**Trustee**”), 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 the assets held by it for GZI REIT.

To secure, pari passu and pro rata, the New Loan Borrowers’ obligations under the New Loan Agreement, a security package has been granted in favour of a security trustee to hold on behalf of each of the New Loan Lenders.

### **Connected Party Transaction Waiver**

The New Loan Borrowers’ entry into the New Loan Agreement with HSBC (together with the other New Loan Lenders) is a connected party transaction under Chapter 8 of the Code on Real Estate Investment Trusts (“**REIT Code**”), as HSBC is a connected person of the Trustee.

As disclosed in the Offering Circular, the Manager had obtained a waiver from the SFC from strict compliance with the requirement for announcement or approval from the unitholders of GZI REIT (“**Unitholders**”) 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 GZI REIT and the companies directly or indirectly owned and controlled by GZI REIT. The New Loan extended by HSBC (together with the other New Loan Lenders) to the New Loan Borrowers 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 Offering Circular. Information of the New Loan transaction will be disclosed in the annual report of GZI REIT in accordance with the said modified disclosure and reporting requirements.

Other than HSBC, the New Loan Lenders are independent third parties and are not connected persons (as defined under the REIT Code) of GZI REIT.

### **The Board’s View**

With due consideration of the terms of the New Loan Agreement and other relevant factors in connection with the refinancing of the Existing Bank Borrowings and the simultaneous termination of the Existing Hedging Arrangements, the Board of the Manager considers that: (1) the obtaining of the New Loan under the New Loan Agreement; and (2) the refinancing of the Existing Bank Borrowings and the simultaneous termination of the Existing Hedging Arrangements, in the manner as summarised above, are carried out at arm’s length on normal commercial terms, are fair and reasonable, and are in the interest of the Unitholders as a whole.

Due to volatility in the current interest rate environment, the Manager has not entered into any new hedging arrangements and GZI REIT may be exposed to interest rate fluctuations. However, the Manager will continue to monitor interest rate and foreign currency exchange rate movements closely and will consider putting in place prudent financial arrangements, as and when necessary depending on market conditions, for the benefit of Unitholders.

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, 6 November 2008

As at the date of this announcement, the Board 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