

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.

GZI REIT's connected persons (as defined in Rule 8.1 of the REIT Code) include, among others:

- significant holders (as defined in Rule 8.1 of the REIT Code);
- the Trustee and companies within the same group as well as associated companies (as defined in Rule 2.2 of the REIT Code) of the Trustee, and the directors, senior executives and officers of the Trustee and their respective associates (as defined under the Securities and Futures Ordinance ("SFO")). As a result, GZI REIT's connected persons include HSBC Holdings plc and other members of its group since the Trustee is an indirect wholly-owned subsidiary of HSBC Holdings plc;
- the Manager as well as controlling entities (as defined under the SFO), holding companies (as defined under the SFO), subsidiaries (as defined under the SFO) and associated companies (as defined in Rule 2.2 of the REIT Code) of the Manager; and
- the Directors, senior executives and officers of the Manager and their respective associates. The associates of the Directors include (amongst others) other companies of which they are directors.

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 (as defined in Rule 8.1 of the REIT Code):

Leasing Transactions

Certain portions of City Development Plaza Units have been leased to connected persons of GZI REIT which are so connected as a result of their connection with 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)	Rent collected during Reporting Period (HKD) ³
Yicheng	1st storey	an associate of the Manager	97.0	1 May, 2006	485	5	0	1	5,680
Xingye ¹	1st storey	an associate of the Manager	881.2	1 Jan, 2006	118,955	135	0	3	1,393,052
Xingye ¹	2nd storey	an associate of the Manager	639.92	1 Jan, 2006	45,333	70	0	3	530,883
GZI	16th storey	a significant holder	1,060.5	1 Jan, 2005	95,444	90	0	3	1,117,720
Guangzhou office of Yue Xiu	16th storey	a significant holder	46.1	1 Jan, 2005	4,150	90	0	3	48,599
Manager ²	8th Storey	Manager	126.5	1 Sept., 2006	11,381	90	0	0.33	44,427
Total									3,140,361

1 These leases are subject to certain right to early termination exercisable by Full Estates if higher rates for the leased units were offered by prospective tenants and such offer not matched by Xingye.

2 This lease had been terminated on 31 December 2006, with the relevant unit taken up by an independent third party for a term of 11 months commencing 6 January 2007 at a monthly rent of Rmb 11,760.

3 Conversion from Rmb at the rate of Rmb1.0247 to HKD1.00.

Property Management Agreements

On 7 December, 2005, Partat, a wholly-owned subsidiary of GZI REIT, Guangzhou White Horse Clothings Market Ltd. (“White Horse JV”), a subsidiary of GZI and an associated company of the Manager, and Guangzhou Xi Jiao Villagers’ Committee appointed White Horse Property Management Company, a subsidiary of GZI and an associated company of the Manager, to manage the common areas in White Horse Building. On the same day, Partat and White Horse JV entered into another agreement with White Horse Property Management Company for the provision of property management services in respect of the portions of White Horse Building owned by Partat and White Horse JV for a period of three years from 19 October, 2005 to 18 October, 2008. Under this agreement, White Horse Property Management Company is entitled to collect a monthly property management fee charged at the rate of RMB50 per sq.m. of GFA comprised in the portions of White Horse Building owned by Partat and White Horse JV. The fee is payable by Partat and White Horse JV (in respect of vacant portions of White Horse Building owned by them) and by the tenants in all other cases. Pursuant to the provisions contained in a tenancy services agreement entered into between Partat and White Horse Property Management Company on 7 December, 2005, White Horse Property Management Company agreed to bear any management fees in respect of vacant units payable by Partat under the above property management agreement.

On 7 December, 2005, Keen Ocean, a wholly-owned subsidiary of GZI REIT, and Guangzhou City Construction & Development Co. Ltd., a subsidiary of GZI and an associated company of the Manager, have appointed Yicheng, a subsidiary of GZI and an associated company of the Manager, to manage the common areas in Victory Plaza. Under this agreement, Yicheng is entitled to collect a monthly property management fee charged at the rate of RMB48 per sq.m. of Victory Plaza’s GFA. The fee is payable by Keen Ocean in respect of vacant portions of Victory Plaza and by the tenants in all other cases. Pursuant to the provisions contained in a tenancy services agreement entered into between Keen Ocean and Yicheng on 7 December, 2005, Yicheng agreed to bear any management fees in respect of vacant units payable by Keen Ocean under the above agreement.

The owners committees of Fortune Plaza and City Development Plaza (each acting for and on behalf of all the owners and tenants of Fortune Plaza and City Development Plaza respectively) appointed Yicheng to manage the common areas in Fortune Plaza and City Development Plaza respectively. The agreement for Fortune Plaza was entered into on 1 July, 2005 and is for a duration of three years from 1 July, 2005 to 30 June, 2008. The agreement for City Development Plaza was entered into on 15 July, 2005 and is for a duration of five years from 19 July, 2002 till 18 July, 2007. Under these agreements, Yicheng is entitled to collect a monthly property management fee charged at the rate of RMB25 per sq.m. for the office portion of and RMB35 per sq.m. for the commercial portion of Fortune Plaza’s GFA, and City Development Plaza’s GFA respectively.

As the tenants of the Properties (and not the Special purpose vehicles (as defined in the Offering Circular (“SPVs”))) pay the property management fees of Yicheng and White Horse Property Management Company as property managers of the Properties, no property management fees were paid by the SPVs to the relevant connected person.

Connected Party Transactions

Tenancy Services Agreements

On 7 December, 2005, the Manager and each of Full Estates, Moon King and Keen Ocean have entered into a tenancy services agreement with Yicheng while the Manager and Partat have entered into a tenancy services agreement with White Horse Property Management Company, both of which are for a term of 3 years until 7 December, 2008, whereby Yicheng and White Horse Property Management Company have agreed to provide leasing, marketing and tenancy services to each of the SPVs holding the relevant Properties.

Each of the tenancy services agreements relating to the Fortune Plaza Units, the City Development Plaza Units and the Victory Plaza Units provides for payment by the relevant SPV to Yicheng of a monthly fee of 4.0% per annum of the gross revenue of the relevant Property. The tenancy services agreement relating to the White Horse Units provides for payment by Partat to White Horse Property Management Company of a monthly fee of 3.0% per annum of the gross revenue of the White Horse Units.

Yicheng and White Horse Property Management Company have agreed that, for so long as they are also the property managers of the relevant Properties, their fees as leasing agent under the tenancy services agreements shall also satisfy the property management fees which they are entitled to receive from the relevant SPVs for any vacant units in the Properties under the various property management arrangements.

During the Reporting Period, the aggregate amount of fees paid/payable by GZI REIT to Yicheng and White Horse Property Management Company under these tenancy services agreements totalled approximately HK\$12,279,000.

Trade Mark Licence Agreements

Six licence agreements, each dated 7 December, 2005, have been entered into between Partat and White Horse Property Management Company pursuant to which White Horse Property Management Company has granted Partat the exclusive right to use six of its registered trademarks of different classes in the PRC until 31 December, 2006 in accordance with the terms of the licence agreements for a nominal fee of RMB1.00 with the right to extend, subject to certain conditions, the term of such licences. Each of these licence agreements has been extended, for a nominal fee of Rmb 1.00, for a period of between 9 to 10 years and will expire between 27 November 2016 and 30 January 2017.

Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”) and the Manager entered into a licence agreement dated 7 December, 2005 pursuant to which Yue Xiu granted to the Manager the right and licence to use and sub-licence certain “Yue Xiu” trademarks in connection with the business of GZI REIT in the PRC and Hong Kong for a nominal consideration of approximately HK\$1.00 in perpetuity commencing on 21 December, 2005, subject to early termination pursuant to the terms thereof.

Waiver from Strict Compliance

A waiver from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code, in respect of the lease transactions, property management agreements and tenancy services agreements described above, has been granted by the SFC on 8 December, 2005, subject to annual limitations as to value such transactions can amount to, review by the auditors for each relevant financial period, annual review by the Audit Committee and the INEDs and other terms and conditions (“Waiver”). Particulars of the Waiver and its detailed terms and conditions have been published in the Offering Circular.

Renovation of Levels 8 and 9 of White Horse Units

The contractor for carrying out the renovation works of Levels 8 and 9 of the White Horse Units, for the purpose of transforming them into wholesale and retail premises, was selected through a transparent tender process, arranged by Guangzhou Construction Works Dealing Centre (廣州建設工程交易中心), a government body responsible for the management and supervision of all tenders for building and construction works within Guangzhou required to be carried out under “廣東省建設工程招標投標管理條例”. Guangzhou City Construction & Development Decoration Limited (“GCCD Decoration”), a 98.62% indirectly-owned subsidiary of GZI and one of the 5 bidders for the renovation works, was awarded the renovation contract by Guangzhou Construction Works Dealing Centre on 24 January, 2006.

GCCD Decoration, in its capacity as a main contractor, sub-contracted part of the renovation works to two independent third party sub-contractors pursuant to two separate sub-contracts both dated 26 January, 2006. By another two separate agreements entered into between GCCD Decoration, Partat and each of the two sub-contractors both dated 28 January, 2006 (as supplemented and amended by two separate confirmations entered into between the same parties both dated 24 August, 2006), GCCD Decoration's rights and obligations (including, payment obligations) under the sub-contracts were assigned to Partat, subject to the terms and conditions set out in the respective confirmations. Accordingly, the amount payable by Partat to GCCD Decoration pursuant to the terms of the renovation contract dated 26 January, 2006 was reduced to Rmb 414,148.08 (i.e., approximately HK\$404,165.00), representing the difference between the total amount of all renovation works (i.e., Rmb 5,176,851.05 (i.e., approximately HK\$5,052,065.00)) and the sums directly payable by Partat to the two sub-contractors (i.e. Rmb 4,762,702.97 (i.e., approximately HK\$4,647,900.00) in aggregate).

GCCD Decoration and its associates (as defined in the REIT Code) had not entered into any other connected transactions with GZI REIT. The amount payable by Partat to GCCD Decoration under the renovation contract is less than 5% of the net asset value of GZI REIT as per the audited financial statements published in the 2005 annual report. The amount is also less than 15% of the amount of HK\$26.70 million committed to be spent by GZI REIT on renovation and upkeep of the White Horse Units (as disclosed in the Offering Circular). Accordingly, no Unitholders' approval was required for entering into the transaction.

HSBC Group*

(*Note: “HSBC Group” means The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) and its subsidiaries and, unless expressly stated, 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)).

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)	rent per sq.m. (Rmb)	Monthly Rent free period (days)	Term (years)	Rent collected during Reporting Period (HKD) ¹
HSBC Software	4th storey	4,275.1	16 Feb, 2005	354,833	83	60	3	4,007,905
Development	5th storey	4,275.1	1 May, 2005	354,833	83	90	2.25	4,007,905
(Guangdong) Limited	3rd storey	2,000	1 Dec, 2006	166,000	83	60	4.2	170,547
Total:								8,186,357

¹ Conversion from Rmb at the rate of Rmb1.0247 to HKD1.00.

On 31 January, 2007 HSBC Software Development (Guangdong) Limited entered into a lease with Moon King. In respect of the 4th and 5th storeys of Fortune Plaza renewing the existing term for another 3 years commencing 1 February, 2008 at a monthly rent of Rmb 745,150 for the first year, RMB782,428 for the second year and 821,504 for the third year.

Corporate Finance Transactions

The SPVs (as borrowers) and GZI REIT Holding 2005 Limited ("REIT Holdco")(as guarantor) entered into a facility agreement with certain lending banks on 7 December, 2005 for a three year floating rate term loan facility of US\$165 million to be drawn on the Listing Date. To secure the SPVs' obligations under the loan on a pari passu and pro rata basis, a security package, including registered mortgage over each Property and the SPV shares, assignment of rental income and all other proceeds arising from each of the Property and of all tenancy agreements relating to the Properties, has been granted in favour of a security trustee to hold on behalf of the lending banks. HSBC was one of the lending banks and acted as the agent and security agent of the lending banks. On 21 December, 2005, the facility was drawn by GZI REIT in full, as to US\$63.9 million was advanced by HSBC and US\$63.9 million remained outstanding as at 31 December, 2006.

In conjunction with the loan facility, each of the SPVs has also entered into agreements with each of the lending banks for US\$/RMB non-deliverable swap facilities covering the swap of a floating rate US dollar liability into a synthetic Rmb liability with a series of fixed rate cash flows denominated in Rmb, payable in US dollars, with a principal exchange at maturity also settled in US dollars for an aggregate notional principal amount of US\$165 million for a minimum tenor of three years. HSBC was one of the swap providers and participated in the swap for US\$63.9million/Rmb516.5 million.

The SPVs' obligations under the swap agreements are secured, pari passu and pro rata, on the security package described above. They have also granted guarantees in favour of the lending banks (as swap providers) to secure their obligations under the swap agreement. During the Reporting Year, interest under the facility agreement in the amount of approximately HK\$16,334,000 were payable by GZI REIT to HSBC.

Ordinary Banking Services

REIT Holdco, Partat, Keen Ocean, Full Estates and Moon King have maintained interest bearing accounts with HSBC for deposits during the Reporting Year at arm's length and on commercial terms.

Waiver from Strict Compliance

A waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the above transactions with connected persons (as defined in Rule 8.1 of the REIT Code) 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. Particulars of the Waiver Letter and its terms 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 GZI REIT than terms available to or from (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 of corporate finance transaction with the HSBC Group

Both the Manager and the Trustee confirm that there is no corporate finance transaction and other connected transaction (save and except for those disclosed hereinabove) with the HSBC Group during the Reporting Year.

Manager's Fees

During the Reporting Year, the aggregate amount of fees payable by GZI REIT to the Manager under the Trust Deed was approximately HK\$23,765,000.

Trustee's Fees

During the Reporting Year, the aggregate amount of fees payable by GZI REIT to the Trustee under the Trust Deed was approximately HK\$1,403,000.

Principal Valuer's Fees

During the Reporting Year, the aggregate amount of fees payable by GZI REIT to the Valuer for the preparation of a valuation report of the Properties was HK\$153,000.

Connected Party Transactions

Holdings of the Manager and Directors and Chief Executive Officer of the Manager

The REIT Code requires that connected persons (as defined in Rule 8.1 of the REIT Code) of GZI REIT disclose their interests in Units. As well, the provisions of Part XV of the SFO are deemed by the Trust Deed to, apply to among other things, the Manager, the Directors and the Chief Executive of the Manager.

The interests and short positions and Chief Executive Officer of the directors of the Manager in Units, which are required to be recorded in the register maintained 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, 2006		As at 31 December, 2006		% Change in Holdings
		Beneficial interests in Units	Approximate % of interest	Beneficial interests in Units	Approximate % of interest	
Mr Liang Ningguang ¹	—	Nil	—	Nil	—	—
Mr Liu Yongjie ²	—	Nil	—	Nil	—	—
Mr Liang Youpan	—	Nil	—	Nil	—	—
Mr Chan Chi On, Derek	—	Nil	—	Nil	—	—
Mr Lee Kwan Hung, Eddie	—	Nil	—	Nil	—	—
Mr Chan Chi Fai, Brian	—	Nil	—	Nil	—	—

- 1 Mr. Liang Ningguang 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 which were recorded in the register required to be kept by the Manager under Schedule 3 of the Trust Deed:

1. Long position in the Units:

Name of Substantial Unitholder	Nature of Interest	As at 1 January, 2006		As at 31 December, 2006		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Yue Xiu ¹	Beneficial	27,320	0%	27,320	0%	—
	Deemed	408,776,760	40.88%	321,326,760	32.13%	-8.74%
	Total	408,804,080	40.88%	321,354,080	32.14%	-8.74%
GZI ²	Beneficial	—	—	—	—	—
	Deemed	400,730,495	40.07%	313,280,495	31.32%	-8.75%
	Total	400,730,495	40.07%	313,280,495	31.32%	-8.75%
Dragon Yield Holdings Limited (“Dragon Yield”)	Beneficial	400,730,495	40.07%	313,280,495	31.32%	-8.75%
	Deemed	—	—	—	—	—
	Total	400,730,495	40.07%	313,280,495	31.32%	-8.75%

Connected Party Transactions

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

Name of Controlled Corporation	Name of Controlling Shareholder	% Control	Direct interest (Y/N)	Number of Shares	
				Long Position	Short Position
Excellence Enterprises Co., Ltd.	Yue Xiu	100.0	N	321,215,530	Nil
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.0	N	313,280,495	Nil
Bosworth International Limited	Excellence Enterprises Co., Ltd.	100.0	Y	5,698,282	—
Guangzhou Investment Company Limited	Bosworth International Limited	34.98	N	313,280,495	Nil
Dragon Yield	GZI	100.0	Y	313,280,495	Nil
Sun Peak Enterprises Ltd.	Excellence Enterprises Co., Ltd.	100.0	N	1,414,207	—
Novena Pacific Limited	Sun Peak Enterprises Ltd.	100.0	Y	1,414,207	—
Shine Wah Worldwide Limited	Excellence Enterprises Co., Ltd.	100.0	N	395,122	—
Morrison Pacific Limited	Shine Wah Worldwide Limited	100.0	Y	395,122	—
Perfect Goal Development Co., Ltd.	Excellence Enterprises Co., Ltd.	100.0	N	339,342	—
Greenwood Pacific Limited	Perfect Goal Development	100.0	Y	339,342	—
Seaport Development Limited	Excellence Enterprises Co., Ltd.	100.0	N	88,082	—
Goldstock International Limited	Seaport Development Limited	100.0	Y	88,082	—
Yue Xiu Finance Company Limited	Yue Xiu	100.0	Y	111,230	—

- The deemed interest in 313,280,495 Units were held through Dragon Yield, a 100% owned subsidiary..

Connected Party Transactions

2. Short position* in the Units

Name of Substantial Unitholder	Nature of Interest	As at 1 January, 2006		As at 31 December, 2006		% Change of interest
		Number of Units	Approximate % of interest	Number of Units	Approximate % of interest	
Yue Xiu ¹	Beneficial	—	—	—	—	—
	Deemed	87,450,000	8.75%	Nil	Nil	-8.75%
GZI ¹	Beneficial	—	—	—	—	—
	Deemed	87,450,000	8.75%	Nil	Nil	-8.75%
Dragon Yield	Beneficial	87,450,000	8.75%	Nil	Nil	-8.75%
	Deemed	—	—	—	—	—

1. The deemed interest in 87,450,000 Units were held through Dragon Yield.

* These short positions were held in relation to the over-allocation option granted to the underwriters of the initial public offering of GZI REIT ("IPO") which was exercised in full on 4 January, 2006.

HOLDINGS OF OTHER CONNECTED PERSONS

Senior Executives of the Manager

The following senior executives of the Manager, being connected persons (as defined under the REIT Code) of GZI REIT, held the following interest in the Units:

Name of Senior Executive	Nature of interest	As at 1 January, 2006		As at 31 December, 2006		% Change of interest
		Interests in Units	Approximate % of interest	Interests in Units	Approximate % of interest	
Ms. Ko Yung Lai, Jackie	Personal	8,125	0%	8,125	0%	—
Mr. Cheng Jiuzhou	Personal	480	0%	480	0%	—
Mr. Ip Wing Wah	Personal	1,900	0%	1,900	0%	—

Trustee

The following persons being associates of the Trustee and deemed connected persons (as defined under the REIT Code) of GZI REIT, held the following interests in Unit

Short Position and Long Postion in Units*

Name of HSBC entity	Nature of interest	As at 1 January, 2006		As at 31 December, 2006		% change of interest
		Interest in Units	Approximate % of interest	Interest in Units	Approximate % of interest	
HSBC Holdings Plc**	Beneficial	87,450,000	8.75%	Nil	Nil	-8.75%
	Deemed	—	—	—	—	—
	Total	87,450,000	8.75%	Nil	Nil	-8.75%
HSBC Finance (Netherlands)**	Beneficial	—	—	—	—	—
	Deemed	87,450,000	8.75%	Nil	Nil	-8.75%
	Total	87,450,000	8.75%	Nil	Nil	-8.75%
HSBC Holdings BV**	Beneficial	—	—	—	—	—
	Deemed	87,450,000	8.75%	Nil	Nil	-8.75%
	Total	87,450,000	8.75%	Nil	Nil	-8.75%
HSBC Asia Holdings (UK)**	Beneficial	—	—	—	—	—
	Deemed	87,450,000	8.75%	Nil	Nil	-8.75%
	Total	87,450,000	8.75%	Nil	Nil	-8.75%
HSBC Asia Holdings BV**	Beneficial	—	—	—	—	—
	Deemed	87,450,000	8.75%	Nil	Nil	-8.75%
	Total	87,450,000	8.75%	Nil	Nil	-8.75%
The Hongkong and Shanghai Banking Corporation Limited**	Beneficial	—	—	—	—	—
	Deemed	87,450,000	8.75%	Nil	Nil	-8.75%
	Total	87,450,000	8.75%	Nil	Nil	-8.75%

* This relates to over allocation option granted to Joint Global Coordinator pursuant to international underwriting agreement in relation to the IPO. The Hongkong and Shanghai Banking Corporation Limited was one of the Joint Global Coordinators. The over-allocation option was exercised in full on 4 January, 2006.

** This entity is the controlling entity of the Trustee.

Save as disclosed above, the Manager is not aware of any connected persons (as defined in Rule 8.1 of the REIT Code) of GZI REIT, including the Trustee and Colliers International (Hong Kong) Ltd. holding any Units as at 31 December, 2006.

Unit Options

At no time during the Reporting Period was GZI REIT or any of its controlled entities a party to any arrangements which enable the Directors of the Manager (including, their spouses and children under 18 years of age) to acquire benefits by means of acquisition of Units or any equity derivatives in GZI REIT or any other body corporate.