
DISTRIBUTION POLICY

Distribution Policy

The Manager's policy is to distribute to Unitholders 100.0% of GZI REIT's Total Distributable Income for each of FY2006 to FY2008 and thereafter at least 90.0% of Total Distributable Income in each Financial Year.

For these purposes, and under the terms of the Trust Deed, "Total Distributable Income" for a Financial Year means the amount calculated by the Manager as representing the consolidated audited profit after tax of GZI REIT and entities controlled by it for that Financial Year, as adjusted for accounting purposes to eliminate the effects of accounting adjustments which are charged or credited to the income statement for the relevant Financial Year ("Adjustments"), including: (i) the effects of unrealised property valuation gains, including reversals of impairment provisions; (ii) realised gains on the disposal of properties; (iii) fair value gains on financial instruments; (iv) deferred tax charges/credits in respect of property valuation movements; (v) other material non-cash gains; (vi) expenses paid out of the Deposited Property in connection with the issue of new Units; and (vii) any adjustments in accordance with HKFRS which increase those recorded under generally accepted accounting principles in the PRC on which the accounts of cash available for distribution is based (including reversal of depreciation charge on investment properties).

For the avoidance of doubt, non-cash losses such as property revaluation losses are not reversed from the income statement of GZI REIT and will therefore directly impact Total Distributable Income. The Manager may (but is not obliged to) distribute any cash freed up by non-cash losses (in which case, for FY2006 to FY2008, more than 100.0% of GZI REIT's Total Distributable Income could be distributed) or utilise such cash to replenish GZI REIT's asset base. In addition, GZI REIT does not have to distribute non-cash gains.

For a period determined by the Manager from time to time to be the period in respect of which distributions are to be made ("Distribution Period") that is not a Financial Year, "Total Distributable Income" means the amount determined by the Manager in its discretion.

For any Distribution Period, the Manager may, in its absolute discretion, distribute to Unitholders more than the percentage of the Total Distributable Income required by the REIT Code (currently 90.0%) if the Manager considers that GZI REIT has funds surplus to its business requirements.

Under the Trust Deed, the Manager must, subject to applicable law, ensure that at least one distribution shall be made in respect of each Financial Year and paid no later than the date which is five calendar months following the end of the relevant Financial Year. However, GZI REIT's distribution for the period from the Listing Date to 31 December 2005 will be paid together with the distribution for the period from 1 January 2006 to 30 June 2006 and is intended to be paid on or before 30 November 2006. The Manager's initial distribution policy is that two distributions will be made in respect of each year, being distributions with respect to the six-month periods ending 30 June and 31 December. The Directors anticipate that the interim and final distributions will be paid in November and May in each year, respectively.

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Distributions to Unitholders will be declared and paid in Hong Kong dollars. The Manager may also adopt such rules as it considers appropriate for the reinvestment by Unitholders of any distributions to be made by GZI REIT in return for new Units but no Unitholder shall be obliged to receive Units in lieu of a cash distribution. Under current Hong Kong tax law, distributions may be made free of withholdings or deductions on account of Hong Kong tax. It is understood that, under the Inland Revenue Department's current practice, no tax should be payable in Hong Kong in respect of distributions made by GZI REIT. Unitholders should take advice from their own professional advisers as to their particular tax position.

GZI REIT's ability to make distributions is dependent on (among other things) GZI REIT having available sufficient cash to make the payments required (see the risk factor headed "Distributions to Unitholders will be subject to cash flow" in this Offering Circular). The REIT Code requires that each company used to hold real estate and other assets for GZI REIT for the time being shall distribute to GZI REIT all of such company's income for each Financial Year insofar as permitted by the laws and regulations of its relevant jurisdiction of incorporation.

In respect of distributions to be made for the Forecast Year 2006, see the section headed "Statement of Distributions" in this Offering Circular.