

With the objective of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of GZI REIT in a transparent manner and with built-in checks and balances. Set out below is a summary of the key components of the corporate governance policies that have been adopted and are followed by the Manager and GZI REIT. Subject to the Trust Deed, the corporate governance policies may be amended from time to time without Unitholders' approval.

### **Authorisation Structure**

GZI REIT is a unit trust authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The Manager has three persons who are approved as Responsible Officers pursuant to the requirements of section 125 of the SFO and Rule 5.4 of the REIT Code, and Mr Liang Ning Guang and Mr Liu Yong Jie are executive Directors of the Manager pursuant to the requirements of section 125 of the SFO.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance and is qualified to act as a trustee for authorised collective investment schemes under the SFO and the REIT Code.

### **Roles of the Trustee and Manager**

The Trustee is responsible under the Trust Deed for, among other things, the safe custody of the assets of GZI REIT held by it on behalf of Unitholders. The Manager's role under the Trust Deed is to manage GZI REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of GZI REIT's assets are professionally managed in the sole interests of the Unitholders.

### **Functions of the Board**

The Board currently comprises six members, three of whom are independent non-executive Directors.

The Board principally oversees the day to day management of the Manager's affairs and the conduct of its business and is responsible for the overall governance of the Manager. The Board function is largely separate from, and independent of, the executive management function. The Board leads and guides the Manager's corporate strategy and direction. Day to day management functions and certain supervisory functions have been delegated to relevant committees of the Board and a schedule of matters specifically reserved to the Board has been formally adopted. The Board exercises its general powers within the limits defined by the Articles of Association, with a view to ensuring that management discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the Manager. In accordance with the REIT Code, the Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty.

### Roles of the Key Board Members

The roles of the key members of the Board are as follows:

- Chairman — responsible for the overall leadership of the Board and the Manager generally.
- Chief Executive Officer — responsible for the day to day operations of the Manager and supervises the Manager’s management team to ensure that GZI REIT is operated in accordance with its stated strategies, policies and regulations.
- Independent non-executive Directors — govern the Manager through the Board and their participation in Board committees.

See the section headed “The Manager — The Board” in this Offering Circular for further details of the composition of the Board.

### Board Composition

The composition of the Board is determined using the following principles:

- the Board should comprise Directors with a broad range of commercial experience, including expertise in funds management and the property industry; and
- at least one-third of the Board (and, in any event, not less than three Directors) should comprise independent non-executive Directors. (See the section headed “The Manager — Independence of Directors” in this Offering Circular for the factors that will be taken into account in assessing the independence of a non-executive Director.)

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

### Board Committees

The Board has the power to delegate to committees consisting of such numbers of its body as it thinks fit. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been set up with clear terms of reference to review specific issues or items and to then submit their findings and recommendations to the full Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the full Board and not the committees.

The committees of the Board are as follows:

### ***Finance and Investment Committee***

The Finance and Investment Committee comprises four Directors, including the Chairman, the Chief Executive Officer and at least one independent non-executive Director. It is responsible for, among other matters, evaluating and making recommendations on proposed acquisitions and disposals of assets, approve budgets and review actual expenses on all key expenditures and reviewing the quarterly financial performance, forecasts and annual financial plan of the Manager and GZI REIT. The Finance and Investment Committee also reviews and recommends changes to financial authorities, policies or procedures in areas such as accounting, taxes, treasury, distribution payout, investment appraisal, management and statutory reporting.

### ***Audit Committee***

The Audit Committee comprises independent non-executive Directors only (at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise) and has at least three members. Among other matters, it reviews the completeness, accuracy and fairness of GZI REIT's financial statements and considers the scope, approach and nature of internal and external audit reviews, and is responsible for the overall risk management. The Audit Committee appoints external auditors, reviews their reports and guides management to take appropriate actions to remedy faults or deficiencies identified in internal control. The Audit Committee is also responsible for reviewing and monitoring connected party transactions (see the section headed "Connected Party Transactions" in this Offering Circular).

### ***Remuneration and Nomination Committee***

The Remuneration and Nomination Committee comprises the Chief Executive Officer and at least three other Directors, one of whom must be an independent non-executive director. Among other matters, it reviews the terms and conditions of employment of all staff and Directors (other than the members of the Remuneration Committee, whose remuneration is determined by the Board) and recommends the manpower deployment plan (including the succession plan for the management of the Manager and the Board), remuneration and retirement policies and packages. It ensures that no Director is involved in deciding his own remuneration. It is also responsible for reviewing the structure, size and composition of the Board and its committees on an ongoing basis and for nominating, and providing recommendations on, persons for appointment, re-appointment or removal as Directors. If a member of the Remuneration and Nomination Committee is subject to re-appointment or removal, then such Director will abstain from participating in such discussions.

### ***Disclosures Committee***

The Disclosures Committee comprises the Chief Executive Officer and at least one independent non-executive Director. Among other matters, it is responsible for reviewing matters relating to the regular, urgent and forward looking disclosure of information to Unitholders and public announcements and circulars. The Disclosures Committee also oversees compliance with applicable legal requirements (including those relating to GZI REIT's connected party transactions) and the continuity, accuracy, clarity, completeness and currency of information disseminated by the Manager and GZI REIT to the public and applicable regulatory agencies.

### **Board Meetings**

Board meetings will normally be held at least four times a year at approximately quarterly intervals. To ensure that Directors will be given sufficient time to consider the issues to be tabled at the various Board meetings, details of the venue, time and length of the meeting are required to be given at least 10 clear days in advance of the meeting (except if there are exceptional circumstances or if the majority of Directors agree to a shorter period of notice).

No Board meeting, or any adjourned Board meeting, will be quorate unless a simple majority of Directors for the time being (excluding any Directors which the Manager has a right to exclude for that purpose, whether pursuant to a contract or otherwise) are present at the time when the relevant business is transacted. A Director who, whether directly or indirectly, has a material interest in a contract or proposed contract with the Manager, which is of significance to the Manager's business, must declare the nature of his interest either at the earliest Board meeting or by giving a general notice to the Directors before the question of entering into the contract is taken into consideration on behalf of the Manager.

A Director who is prohibited from voting by reason of a conflict of interest will not be counted for the purposes of establishing the necessary quorum for the meeting.

Matters to be considered by the Board will be adopted on the basis of a simple majority of votes.

### **Appointment and Removal of Directors**

Directors may be nominated for appointment by the Board following a recommendation made by the Remuneration and Nomination Committee. All Directors will be appointed for specific terms. One-fourth of the independent non-executive Directors who are subject to retirement by rotation (if necessary, rounded up to the nearest whole number) will retire at every annual general meeting from and including the first annual general meeting and the retiring Directors on each occasion will be those who have been longest in office since their last appointment or re-appointment, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Independent non-executive Directors will be eligible for re-appointment up to a maximum period in office of nine years. There is no maximum term for other Directors.

The Chairman has been appointed for an initial term of three years. Upon the expiration of such initial term, he may be re-appointed up to a maximum period in office of six consecutive years (including the initial term).

A Director may also be removed from office if served with a notice of removal signed by all of the other Directors. An outgoing Director must abstain from voting in respect of a resolution proposed at a Board meeting in respect of the appointment of his successor or his re-appointment.

Pursuant to the Articles of Association, a Director will need to vacate his office in certain circumstances, such as in the event that he becomes bankrupt, is convicted of an indictable offence, has been absent from Directors meetings for six months or more without special leave of absence from the Board or fails to comply with the required standard set out in any code of conduct adopted by the Board and the Board resolves that he is thereby disqualified to continue as a Director.

### **General Meetings**

GZI REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The Trustee or the Manager may at any time convene a meeting of Unitholders. The Manager will also convene a meeting if requested in writing by not less than two Unitholders registered as together holding not less than 10.0% of the issued and outstanding Units. At least 21 days' notice of the meeting will be given to the Unitholders and the notice will specify the time and place of the meeting and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding not less than 10.0% of the Units for the time being in issue will form a quorum for the transaction of all business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution will be two or more Unitholders present in person or by proxy registered as holding not less than 25.0% of the Units in issue. The quorum for an adjourned meeting shall be such number of Unitholders who are present in person or by proxy regardless of the number of Units held by them.

### **Reporting and Transparency**

GZI REIT will prepare its financial statements in accordance with Hong Kong FRS with a financial year-end of 31 December and a financial half-year of 30 June. In accordance with the REIT Code, the annual report and financial statements for GZI REIT will be published and sent to Unitholders no later than four months following each financial year-end and the interim results no later than two months following each financial half-year. In addition, GZI REIT aims to provide Unitholders with relevant operational information, such as occupancy levels and utilisation rates of the properties that it holds, along with the publication of such financial results following each financial year-end and financial half-year.

As required by the REIT Code, the Manager will ensure that public announcements of material information and developments with respect to GZI REIT will be made on a timely basis in order to keep Unitholders apprised of the position of GZI REIT. Announcements will be made either by publishing them in at least one leading Hong Kong English language and one Chinese language daily newspaper.

### **Distribution Payments**

The Manager's policy is to distribute to Unitholders on a semi-annual basis an amount equal to 100.0% of GZI REIT's Total Distributable Income for each of FY2006 to FY2008 and thereafter at least 90.0% of GZI REIT's annual Total Distributable Income, as more fully described in the section headed "Distribution Policy" in this Offering Circular.

(For further details of GZI REIT's distribution policy, see the section headed "Distribution Policy" in this Offering Circular.)

### **Issues of Further Units Post-Listing**

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights; (ii) as consideration for the acquisition of additional real estate; and (iii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an Ordinary Resolution is obtained, provided that the number of Units issued under (i) and (ii) shall not exceed an aggregate maximum in any Financial Year of 20.0% of the number of Units in issue at the end of the previous Financial Year.

The Manager and GZI REIT may consider structuring an employee option scheme following completion of the Global Offering. The adoption of any such scheme will, however, be subject to approval by the Board and the Unitholders. Subject as set out in the section headed "Connected Party Transactions" in this Offering Circular, the Manager and GZI REIT will also observe the restrictions in the REIT Code which prevent issues of new Units to connected persons unless: (i) specifically approved by Unitholders by way of Ordinary Resolution at a general meeting; and (ii) an announcement, circular or notice is issued, in each case in accordance with the requirements set out in the REIT Code.

### **Interests of, and Dealings in Units by, the Manager as well as Directors and Senior Management of the Manager**

To monitor and supervise any dealings of Units by Directors and their associates, the Manager has adopted a code containing rules on dealings by the Directors and associated parties equivalent to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules. Pursuant to this code, Directors wishing to deal in the Units must first have regard to Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct as if these provisions of the SFO applied to the securities of GZI REIT. In addition,

there are occasions where Directors cannot deal in the Units even though the requirements of the SFO, if it applied, would not be contravened. In addition, a Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself or others. The Manager shall be subject to the same disclosure requirements as the Directors, *mutatis mutandis*.

Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or connected party transactions under the REIT Code or any price-sensitive information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in GZI REIT's securities for a similar period.

Interests held by Directors and their associates will be published in the annual and interim reports of GZI REIT. To facilitate this, the Manager has adopted a code containing rules on disclosure of interests by Directors. The Manager shall be subject to the same dealing requirements as the Directors, *mutatis mutandis*.

The above codes may also be extended to senior executives, officers and other employees of the Manager or GZI REIT as the Board may determine.

The Manager has also adopted procedures for monitoring of disclosure of interests by Directors, the chief executive of the Manager, and the Manager. 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 chief executive of the Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5.0% or more of the Units in issue will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange, the Trustee and the Manager of their holdings in GZI REIT. The Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection by the public without charge during such hours as the register of Unitholders is available for inspection. In addition the Manager shall create a website prior to the Listing Date and maintain such website for the duration of GZI REIT. The Manager shall cause copies of all disclosure notices received to be promptly posted to its website. (See the section headed "The Trust Deed" in this Offering Circular for further details.) The allotment announcement relating to the Hong Kong Public Offering, currently expected to be made on 20 December 2005, will include the address of the website created by the Manager.

Further, the Manager shall publish a notice in one leading Hong Kong English language and one Chinese language daily newspaper whenever a disclosure notification is made which, in the opinion of the Manager, is or is likely to require a notice to be published in order to keep Unitholders and the public adequately informed of material price sensitive information relating to the ownership of Units.

### **Matters to be Decided by Unitholders by Special Resolution**

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Special Resolution. Such matters include, among other things, removing the Trustee, removing the Manager and approving the termination of GZI REIT (see the section headed “The Trust Deed — Meetings of Unitholders” in this Offering Circular).