
CONNECTED PARTY TRANSACTIONS

Details of Connected Party Transactions

Following completion of the Global Offering, there will be continuing transactions between GZI REIT and the following persons noted below, which will constitute connected party transactions of GZI REIT within the meaning of the REIT Code. Details of these transactions as well as the modifications or waivers sought by GZI REIT in relation to the relevant provisions in Chapter 8 of the REIT Code on connected party transactions are set out below.

Introduction

Following completion of the Global Offering there will be, and it is likely that there will continue to occur from time to time, a number of transactions between GZI REIT and the companies or entities held or controlled by GZI REIT (collectively, the “GZI REIT Group”) and parties which have a relationship or connection with GZI REIT.

The connected party transaction rules of the REIT Code govern transactions between the GZI REIT Group and connected persons thereof. Such transactions will constitute connected party transactions for the purposes of the REIT Code.

GZI REIT’s connected persons will include, among others:

- significant Unitholders;
- the Trustee and companies within the same group as well as associated companies of the Trustee, and the directors, senior executives and officers of the Trustee and their respective associates. As a result, GZI REIT’s connected persons will 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, holding companies, subsidiaries and associated companies of the Manager; and
- the Directors, senior executives and officers of the Manager and their respective associates. The associates of the Directors of the Manager include (among others) other companies of which they are directors.

The Manager has established an internal control system intended to ensure that connected party transactions between the GZI REIT Group and its connected persons are monitored and that these are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, all connected party transactions must, among other things, be carried out at arm’s length, on normal commercial terms and in the best interests of Unitholders.

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Internal Controls

As a general rule, the Manager must demonstrate to the Audit Committee that connected party transactions entered into by GZI REIT are, among other things, carried out at arm's length, on normal commercial terms and in the best interests of Unitholders, which may entail (where practicable) obtaining quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional valuers.

The Manager shall investigate and monitor all transactions by the GZI REIT Group in order to determine whether such transactions are connected party transactions. Such investigation should be carried out, if practicable, before such transactions are entered into by the GZI REIT Group.

Where practicable, each counterparty to a transaction with the GZI REIT Group shall be required to confirm to the Manager whether the counterparty is a connected person. Such confirmation should be obtained, if practicable, before such transactions are entered into by the GZI REIT Group.

The Manager will maintain a register to record all connected party transactions which are entered into by members of the GZI REIT Group and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered into. The Manager will also incorporate into its internal audit plan a review of all connected party transactions entered into by members of the GZI REIT Group. The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor connected party transactions have been complied with, and among others, whether the transactions are fair and reasonable. In addition, the Trustee will also have the right to review such audit reports to ascertain that the REIT Code has been complied with.

Under the Trust Deed, a Unitholder is prohibited from voting his Units at, or being part of a quorum for, any meeting of Unitholders convened to approve any matter in which the Unitholder has a material interest in the business to be conducted and that interest is different from the interests of other Unitholders.

It is also provided in the Trust Deed that as and to the extent required by the REIT Code or any conditions of waivers and exemptions from the operation of the REIT Code granted by the SFC from time to time, upon request in writing by the Manager, the Trustee shall take actions or commence proceedings on behalf of GZI REIT as necessary, including against any connected persons of the Trustee in relation to breach of any transaction or agreements entered into by the Trustee for and on behalf of GZI REIT with such persons. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by any member of the GZI REIT Group (or by the Trustee or the Manager for and on behalf of GZI REIT) with a connected person of the Trustee and the Manager may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of

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Unitholders. Any decision by the Trustee not to take action against a connected person of the Trustee shall not constitute a waiver of the right of any member of the GZI REIT Group to take such action as it deems fit against such connected person unless the Manager may approve the waiver in accordance with the above positions.

Notwithstanding the measures in the internal control procedures described above, the Manager will have to ensure compliance with the REIT Code requirements on connected party transactions.

Waivers from Strict Compliance with Certain Provisions in Chapter 8 of the REIT Code

1. Waivers of Requirements with Respect to Certain Transactions

The Manager has applied for, and the SFC has granted, a waiver from strict compliance with the disclosure requirements, and the requirements for the approval of Unitholders, under Chapter 8 of the REIT Code in respect of the following connected party transactions between the GZI REIT Group and entities which are connected persons of GZI REIT as a result of their connection with the Manager (the “Manager Group”):

Leasing transactions

Certain portions of the Properties have been leased to persons in the Manager Group (see Appendix X to this Offering Circular for details of these leases and leases with other connected persons of GZI REIT). These leases were entered into in the ordinary and usual course of business of GZI REIT, on normal commercial terms and were based on market pricing.

Property management arrangements

Partat, White Horse JV and Guangzhou City Xi Jiao Villagers’ Committee have appointed White Horse Property Management Company to manage the common areas in White Horse Building (see the sections headed “Material Agreements and Other Documents Relating to GZI REIT — Agreement to Appoint White Horse Property Management Company to Manage the Common Areas in White Horse Building” and “Material Agreements and Other Documents Relating to GZI REIT — White Horse Property Management Agreement” in this Offering Circular for further details).

Keen Ocean and GCCD have appointed Yicheng to manage the common areas in Victory Plaza (see the sections headed “Material Agreements and Other Documents Relating to GZI REIT — Victory Plaza Property Management Agreement” and “Material Agreements and Other Documents Relating to GZI REIT — Victory Plaza Supplemental Property Management Agreement” in this Offering Circular for further details).

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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) have appointed Yicheng to manage the common areas in Fortune Plaza and City Development Plaza respectively (see the section headed "Material Agreements and Other Documents Relating to GZI REIT — Fortune Plaza and City Development Plaza Property Management Agreements" in this Offering Circular for further details).

The property management agreements described above were entered into in the ordinary and usual course of business of GZI REIT, on normal commercial terms and were based on market pricing.

Tenancy Services Agreements

The Manager and each of Full Estates, Moon King, Keen Ocean have entered into Tenancy Services Agreements with Yicheng, and the Manager and Partat have entered into a Tenancy Services Agreement with White Horse Property Management Company, under which Yicheng and White Horse Property Management Company have agreed to provide leasing, marketing and tenancy management services in respect of the Properties (see the section headed "Material Agreements and Other Documents Relating to GZI REIT — Tenancy Services Agreements" in this Offering Circular for further details).

The Tenancy Services Agreements were entered into in the ordinary and usual course of business of GZI REIT, on normal commercial terms and were based on market pricing.

Trademark licence agreements

Six licence agreements have been entered into between Partat and White Horse Property Management Company under which White Horse Property Management Company granted to Partat the right to certain "White Horse" trademarks for a nominal fee of RMB1.00 in each case (see the section headed "Material Agreements and Other Documents Relating to GZI REIT — White Horse Trademark Licences" in this Offering Circular for further details).

A licence agreement has also been entered into between Yue Xiu and the Manager under which Yue Xiu granted to the Manager (as manager of GZI REIT) the right to use and sub-licence certain "Yue Xiu" trademarks for a nominal fee of HK\$1.00 (see the section headed "Material Agreements and Other Documents Relating to GZI REIT — Yue Xiu Trademark Licence" in this Offering Circular for further details).

For the various categories of connected party transactions listed above, the Manager has also applied for, and the SFC has granted, waivers from strict compliance with:

- (a) paragraph 8.1(f) of the REIT Code, such that, other than in respect of employees of the Manager itself, those persons falling within the scope of employees in paragraphs (c) and (k) of the definition in Schedule 1 of the SFO (namely, in respect of any employee of the relevant connected person and, where the relevant connected person is a

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corporation, each employee of any of its related corporations, etc) be excluded as connected persons of the Manager Group, but such exclusion does not exempt such persons from other categories of connected persons as defined in the REIT Code; and

- (b) paragraph 8.1(g) of the REIT Code, such that the Guangzhou Municipal People's Government (the 100.0% beneficial owner of Yue Xiu) will not be regarded as a controlling entity or holding company of the Manager or GZI in so far as the provisions of Chapter 8 of the REIT Code are concerned, in respect of connected party transactions falling within the categories set out above but not otherwise.

Conditions of waiver

Pursuant to such waivers, the connected party transactions falling within the categories listed above are exempt from strict compliance with the disclosure requirements as connected party transactions and are not subject to Unitholders' approval under Chapter 8 of the REIT Code, subject to the terms and conditions stated below:

(i) Extension or Modification

The waivers for the connected party transactions listed above will be for an initial duration commencing from the Listing Date and ending on 31 December 2008 (the "Initial Waiver Period"). The waivers may be extended beyond the Initial Waiver Period, and/or the conditions of the waiver may be modified from time to time, provided that:

- (a) the approval of Unitholders other than those who have a material interest in the relevant transactions within the meaning of Paragraph 8.11 of the REIT Code ("Independent Unitholders") is obtained by way of an ordinary resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date after the date on which the approval referred to in paragraph (a) above is obtained.

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(ii) *Annual caps*

In any relevant Financial Year, the annual value of the leasing transactions and the Tenancy Services Agreement described above shall not exceed the respective annual cap amounts set out below:

(a) *Leasing transactions:* In respect of the relevant leasing transactions:

- an independent valuation shall be conducted for each such leasing transaction except where it is conducted on standard or published rates; and
- the aggregate annual amounts of rent payable to GZI REIT thereunder for the period from the Listing Date to 31 December 2005, FY2006, FY2007 and FY2008 shall not exceed the respective cap amounts set out below:

Listing Date to 31 December 2005	FY2006	FY2007	FY2008
HK\$94,000	HK\$3,684,000	HK\$3,868,000	HK\$4,061,000

The above caps have been determined with general reference to the historical data for the last three years, and based on the anticipated aggregate value of such transactions during the period from the Listing Date to 31 December 2005, FY2006, FY2007 and FY2008, with an appropriate buffer for contingencies such as: (i) changes in rental or other market conditions; and/or (ii) differences in pricing or other relevant practices or policies of GZI REIT compared with those applicable when the Properties were controlled by GZI REIT's predecessors.

(b) *Tenancy Services Agreements:* In respect of the Tenancy Services Agreements, the aggregate annual amounts of fees payable by GZI REIT to Yicheng and White Horse Property Management Company for the period from the Listing Date to 31 December 2005, FY2006, FY2007 and FY2008 shall not exceed the respective cap amounts set out below:

Listing Date to 31 December 2005	FY2006	FY2007	FY2008
HK\$257,000	HK\$15,278,000	HK\$16,005,200	HK\$17,606,000

The above caps have been determined with general reference to the historical data for the last three years, and based on the anticipated aggregate value of such transactions during the period from the Listing Date to 31 December 2005, FY2006, FY2007 and FY2008, with an appropriate buffer for contingencies such as: (i) changes in market conditions; and/or (ii) differences in pricing or other relevant practices or policies of GZI REIT compared with those with those applicable when the Properties were controlled by GZI REIT's predecessors.

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As the tenants in the Properties (and not the BVI Companies) pay the property management fees of Yicheng and White Horse Property Management Company as property managers of the Properties (see the section headed “The Leasing Agents — The Leasing Agents” in this Offering Circular), no caps are required in respect of such property management fees.

As the trademark licences described above are for nominal consideration, no caps are required in respect of the licence fees.

(iii) Disclosure in semi-annual and annual reports

Details of the above connected party transactions shall be disclosed in GZI REIT’s semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code.

(iv) Auditors’ review procedures

In respect of each relevant financial period, the Manager will engage and agree with the auditors of GZI REIT to perform certain review procedures on connected party transactions. The auditors will then report to the Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all such connected party transactions:

- (a) have received the approval of the Board (including the independent non-executive Directors);
- (b) are in accordance with the pricing policies of GZI REIT;
- (c) have been entered into in accordance with the terms of the agreements governing the transactions; and
- (d) the total value in respect of which has not exceeded the relevant cap amount (where applicable).

(v) Annual review by the Audit Committee and the independent non-executive Directors

The Audit Committee and the independent non-executive Directors shall review the relevant connected party transactions annually and confirm in GZI REIT’s annual report for the relevant Financial Year that such 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 readily available to or from (as appropriate) independent third parties; and

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- (c) in accordance with the relevant agreements 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.

(vi) Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors of GZI REIT and/or the Audit Committee will not be able to confirm the matters set out in, respectively, the sub-sections headed "Auditor's review procedures" and "Annual review by the Audit Committee" above.

(vii) Auditors' access to books and records

The Manager shall allow, and shall procure the counterparty to the relevant connected party transaction to allow, the auditors of GZI REIT sufficient access to their records for the purposes of reporting on the transactions.

(viii) Subsequent increases in annual caps with Independent Unitholders' approval

The Manager may from time to time seek to increase one or more of the annual caps set out above, for example, when GZI REIT acquires additional properties and increases the scale of its operations or when there are changes in market or operating conditions, provided that:

- (a) the Manager obtains the approval of Independent Unitholders by way of an ordinary resolution passed in a general meeting of Unitholders;
- (b) the Manager discloses details of the proposal to increase the cap amounts by way of an announcement such proposal, and issue a circular and notice to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) the requirements set out in paragraphs (ii) to (vii) above shall continue to apply to the relevant transactions, save that the increased annual cap amounts shall apply.

(ix) Paragraph 8.14 of the REIT Code

The Manager shall comply with all requirements under paragraph 8.14 of the REIT Code where there is any material change to the terms of the relevant connected party transactions or where there is any subsequent changes to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval.

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Details of the connected party transactions will be disclosed in the semi-annual and annual report of GZI REIT as required under paragraph 8.14 of the REIT Code. The Audit Committee and the other independent non-executive Directors will review the connected party transactions annually and confirm whether such transactions are carried out in the ordinary and usual course of business of GZI REIT based on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders.

Opinion of the Board

Each of the Directors (including the independent non-executive Directors) confirms that:

- (a) in his opinion, the cap amounts stated above, and the basis for such cap amounts, are fair and reasonable having regard to the interests of the Unitholders as a whole;
- (b) in his opinion, for those continuing connected party transactions (“Continuing CPTs”) in respect of which waiver has been sought from the SFC (as described above) which will be subsisting as at the Listing Date, each of such Continuing CPT has been entered into: (i) in the ordinary and usual course of business of GZI REIT; and (ii) on normal commercial terms and are fair and reasonable and in the interests of the Unitholders as a whole; and
- (c) for Continuing CPTs which are entered into after the Listing Date, each of such Continuing CPT shall be entered into: (i) in the ordinary and usual course of business of GZI REIT; and (ii) on terms which are normal commercial terms and are fair and reasonable and in the interests of the Unitholders as a whole.

Opinion of the Joint Global Coordinators

The Joint Global Coordinators confirm that, in their opinion, the Continuing CPTs subsisting as at the Listing Date are conducted in the usual and ordinary course of business of GZI REIT and are on normal commercial terms and are fair and reasonable and in the interests of the Unitholders as a whole.

Opinion of the Independent Property Valuer

The Independent Property Valuer has confirmed that the rents payable under the leasing transactions described above (save for the lease by Yicheng of space in the City Development Plaza Units for its on-site property management office⁽¹⁾) were at the prevailing market levels when the leases were entered into and that the other commercial terms are normal commercial terms.

(1) In accordance with PRC regulations, Yicheng is entitled to premises for its use free of rent in connection with its property management functions at City Development Plaza. Yicheng pays a nominal monthly rent of HK\$5.00 per square metre for these premises.

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2. Waivers in Relation to Trustee Connected Persons

Additionally, the SFC has waived certain rules in Chapter 8 of the REIT Code in relation to connected persons of HSBC Institutional Trust Services (Asia) Limited in its capacity as the trustee of GZI REIT. The waivers and the conditions thereof are set out below.

For the purposes of this section:

- (i) **“HSBC Group”** means 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); and
- (ii) **“Trustee Connected Persons”** include a director, a senior executive or an officer of any of the Trustee, and a controlling entity, holding company, subsidiary or associated company of the Trustee.

In support of the application for the above waivers, the Manager has undertaken with the SFC to meet certain conditions, including the following general conditions (“General Conditions”) on an on-going basis:

- (i) the connected party transactions are carried out at arm’s length, on normal commercial terms and in the interests of the Unitholders as a whole;
- (ii) the Manager must implement internal controls and compliance procedures to ensure that the connected party transactions are monitored and undertaken on terms in compliance with the REIT Code;
- (iii) the Manager is satisfied with the Trustee’s internal controls and compliance procedures, such as “Chinese Walls”, to ensure that the operation of the Trustee is independent of other banking, financial services and other business functions and operations of the HSBC Group; and
- (iv) the Manager incorporates provisions in the Trust Deed that require the Trustee to take actions or commence proceedings on behalf of GZI REIT, as the Manager deems necessary to protect the interest of Unitholders, including against the Trustee Connected Persons in relation to any transaction or agreement entered into by the Trustee for and on behalf of GZI REIT with such Trustee Connected Persons.

Separately and for the purpose of this waiver, each of the Trustee and The Hongkong and Shanghai Banking Corporation Limited (on behalf of itself and its subsidiaries) has given an undertaking to the SFC that it will act independently of one another in its dealings with GZI REIT. The Trustee undertakes to the SFC that it will not be involved in the making of any decisions on behalf of GZI REIT to enter into any transactions with the Trustee Connected Persons, subject only to the Trustee’s duties of oversight under the REIT Code and the Trust Deed.

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The waivers are given on the premise that they only apply to connected party transactions involving the Trustee Connected Persons solely as a result of and for so long as the Trustee is in office as the trustee for GZI REIT. If connected party transactions arise as a result of other circumstances, these will be governed by Chapter 8 of the REIT Code.

Notwithstanding the foregoing, the SFC reserves the right to review or revise any of the terms and conditions of any of the waivers if there is any subsequent change of circumstances that affect any of them. In the event of future amendments to the REIT Code imposing more stringent requirements than those applicable at the date of the waivers granted by the SFC on transactions of the kind to which the transactions belong (including, but not limited to, a requirement that such transaction be made conditional on approval by the independent Unitholders), the Manager shall take immediate steps to ensure compliance with such requirements within a reasonable period of time.

Ordinary Banking and Financial Services with Trustee Connected Persons

As a general rule, the Manager must demonstrate to the Audit Committee that such transactions satisfy the General Conditions, which may entail (where practicable) obtaining quotations from parties unrelated to the Trustee. For example, for non-daily “corporate finance transactions”, there should be procedures to ensure (a) competitive “best pricing” (having regard to the nature of the services being sought and market conditions) and (b) the Trustee should not be involved in the selection of the parties to the transactions. All connected party transactions are to be reviewed by the independent non-executive directors of the Manager of GZI REIT to ensure that they are conducted in the best interests of the Unitholders as a whole.

Based on the controls summarised above, the Manager intends to adopt and observe certain policies with respect to transactions between GZI REIT Group and the HSBC Group. Further, the Manager may engage HSBC Group to provide “ordinary banking and financial services” to GZI REIT Group from time to time and will not be subject to any requirements for announcement or Unitholders’ approvals under Chapter 8 of the REIT Code. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described below. For this purpose, “ordinary banking and financial services” means:

- (i) deposits and other “banking business” (as defined in the Banking Ordinance) with an HSBC Group member which is a “licensed corporation” or “registered institution” (as defined in the Securities and Futures Ordinance) or overseas equivalent (together “HSBC Group intermediaries”) and conducted on arm’s length commercial terms;
- (ii) loans extended by an HSBC Group intermediary being a transaction in the ordinary course of business of the GZI REIT Group and provided to, or arranged for, the GZI REIT Group on arm’s length commercial terms; and
- (iii) related financial services constituting regulated activities (as defined in the Securities and Futures Ordinance) and other banking or financial services required in the ordinary and usual course of business by the GZI REIT Group (including insurance, ORSO retirement benefit schemes, Mandatory Provident Fund Schemes, credit cards, asset management and other such services).

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For the avoidance of doubt, “ordinary banking and financial services” as described herein does not include “corporate finance transactions” which are defined in the “Corporate Finance Transactions” waiver set out below.

Notwithstanding the above, a summary disclosure of “ordinary banking and financial services” related transactions provided by the HSBC Group to the GZI REIT Group in each financial year has to be disclosed in the annual report of GZI REIT. Such information shall include the nature of the transactions, types of transactions or services and identities of the connected persons of the same transactions. The independent non-executive Directors shall confirm in the annual report that they have reviewed the terms of any such transactions and are satisfied that these transactions have been entered into:

- (i) in the ordinary and usual course of business of GZI REIT;
- (ii) on normal commercial terms (to 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
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

In addition, the auditors of GZI REIT shall be engaged to perform certain agreed upon review procedures on and report (“Auditors’ Report”) to the Manager (and a copy of such report shall be provided to the SFC) confirming that all such transactions (a) are in accordance with the terms disclosed in the offering document; (b) have received the approval of the Board (including the independent non-executive Directors); (c) are in accordance with the pricing policies of GZI REIT; (d) have been entered into in accordance with the terms of the agreements governing the transactions; and (e) the total value in respect of which has not exceeded the respective cap amount (where applicable).

Excluded Transactions

The following transactions will not be deemed connected party transactions of GZI REIT for the purposes of Chapter 8 of the REIT Code:

- (i) where the HSBC Group acts for a third party as nominee, custodian, agent or trustee and conducts “agency transactions” with GZI REIT Group;
- (ii) where a collective investment scheme (including another real estate investment trust) transacts with the GZI REIT Group, and a company within the HSBC Group acts as the manager or trustee of such collective investment scheme but the transaction is not a proprietary transaction of the HSBC Group; and

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- (iii) where a member of the HSBC Group (other than the Trustee except where the Trustee is the trustee of another collective investment scheme and is acting in that capacity) acquires, purchases, subscribes, sells or disposes of Units on terms which are the same as available to the public or other Unitholders as a whole, and where applicable, are subject to the application and allocation rules set out in the Listing Rules of the Hong Kong Stock Exchange. For the avoidance of doubt, any dealing by the HSBC Group in Units on the Stock Exchange of Hong Kong will not be a connected party transaction.

Waiver for Lease or License Transactions with the HSBC Group

The SFC has granted a waiver from strict compliance with the requirement to make announcements and to seek Unitholders' prior approval as set out in Rule 8.9 and 8.11 of the REIT Code in respect of any lease or license transactions entered into with GZI REIT Group where any member of the HSBC Group is a lessee or licensee and the disclosure and reporting requirements under Chapter 8 of the REIT Code shall be modified as described in paragraphs (iii), (iv) and (v) below. As a result of this waiver, the Manager is not required to make announcements or seek Unitholders' approval regarding lease transactions between the GZI REIT Group and any member of the HSBC Group and the disclosure and reporting requirements under Chapter 8 of the REIT Code that will apply in respect of any lease or license transactions entered into with the GZI REIT Group where any member of the HSBC Group is a lessee or licensee shall be modified as described in paragraphs (iii), (iv) and (v) below.

The above waiver is granted on condition that:

- (i) the grant of the lease is negotiated and determined by the Manager and/or the Manager's delegate on behalf of the GZI REIT Group;
- (ii) an independent valuation is conducted for each of the lease transactions except where they are conducted on standard or published rates;
- (iii) the aggregate amount of annual rent paid by the HSBC Group to the GZI REIT Group during a financial year, together with the material terms of any lease with any member of the HSBC Group under which the annual rent (per lease) exceeds HK\$1.0 million, is disclosed in the annual report of GZI REIT in accordance with Rule 8.15 of the REIT Code;
- (iv) a statement is disclosed in the annual report by the independent non-executive Directors that they have reviewed the terms of such transactions and that they are satisfied that they have been entered into:
 - (a) in the ordinary and usual course of business of GZI REIT;
 - (b) on normal commercial terms (to 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

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(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and

(v) the Auditors' Report shall cover all the relevant lease and license transactions.

Waiver for Corporate Finance Transactions with the HSBC Group

The SFC has granted a waiver from strict compliance with the requirement under Rule 8.9 and 8.11 of the REIT Code to seek Unitholders' prior approval and to make announcements and circulars (in accordance with Chapter 10 of the REIT Code) in respect of certain "corporate finance transactions" between the GZI REIT Group and the HSBC Group. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described in conditions (A) to (F) below. For the purpose of this waiver, "corporate finance transactions" means:

- (i) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the HSBC Group is involved in an underwriting or arranging capacity or acts as listing agent and/or financial adviser and/or global coordinator to GZI REIT, provided that these transactions are carried out at arm's length, on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the HSBC Group;
- (ii) lending and borrowing of funds or other related arrangements in connection with any facility agreement by which the GZI REIT Group will finance the acquisition of real estate; and
- (iii) "corporate advisory transactions", namely the provision of corporate finance advice to GZI REIT Group and excludes transactions set out in (i) and (ii) above, provided that the aggregate fees that the HSBC Group derived from all "corporate advisory transactions" conducted for the GZI REIT Group during a financial year shall be capped at 1.0% of the latest published NAV of GZI REIT.

For the avoidance of doubt, "corporate finance advice" means advice concerning:

- (1) compliance with or in respect of the Listing Rules, The Rules Governing the Listing of Growth Enterprise Market of the Stock Exchange of Hong Kong, The Hong Kong Code on Share Repurchases or The Hong Kong Code on Takeovers and Mergers;
- (2) (a) any offer to dispose of securities to the public, (b) any offer to acquire securities from the public, or (c) acceptance of any offer referred to in (a) or (b), but only in so far as the advice is generally given to holders of securities or a class or securities; or
- (3) corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

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The above waiver is granted on condition that:

- (A) the offering document and any circular for GZI REIT includes upfront disclosure of this waiver and, with respect to those corporate finance transactions under (i) and (ii) of this waiver, full disclosure of the material terms of the relevant agreements;
- (B) the annual report includes disclosure of the aggregate fees paid to the HSBC Group in respect of the corporate finance transactions conducted for GZI REIT Group in the financial year;
- (C) the annual report includes disclosure in respect of any corporate finance transaction whose fees exceed HK\$1.0 million: (a) the occurrence and nature of the transaction; (b) the parties to the transaction and (c) the date of the transaction;
- (D) the annual report discloses a statement made by each of the Manager and the Trustee to confirm that the corporate finance transactions described in (i), (ii) and (iii) have complied with the general conditions of the waiver and that the Trustee has not been involved in the making of any decision to enter into any corporate finance transaction on behalf of GZI REIT (subject to the Trustee's duties of oversight under the REIT Code and the Trust Deed) including the selection of the financial adviser of the transaction;
- (E) the annual report includes a statement by the independent non-executive Directors that they have reviewed the terms of such transactions and are satisfied that they have been entered into:
 - (a) in the ordinary and usual course of business of GZI REIT;
 - (b) on normal commercial terms (to 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 governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and
- (F) the Auditors' Report shall cover all the relevant corporate finance transactions.

Notwithstanding the above waiver, in the case where the aggregate fees that the HSBC Group generates from all "corporate advisory transactions" conducted for the GZI REIT Group during the financial year exceed 1.0% of the latest NAV of GZI REIT as disclosed in the latest published audited accounts of GZI REIT, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code shall apply. Further, for the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of the HSBC Group in its capacity as described above under "corporate finance transactions", an

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announcement has to be made pursuant to the REIT Code (and is not exempted by any waivers from announcements under the REIT Code granted by the SFC) such announcement shall disclose the role of HSBC Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

Based on the above, the Board is of the view that:

- (i) the waivers are in the interests of the Unitholders as a whole;
- (ii) it is satisfied with the internal control procedures of the Trustee with respect to the independence of the Trustee's operation vis-a-vis the other banking function/operation of the HSBC Group;
- (iii) the cap amount and the basis of the cap amount, in relation to the aggregate fees of the HSBC Group generated from all "corporate advisory transactions" between the HSBC Group and GZI REIT conducted during the relevant financial year, is fair and reasonable having regard to the interests of the Unitholders as a whole; and
- (iv) each connected party transaction shall be entered into in the ordinary course of business of GZI REIT, on normal commercial terms and in the interests of the Unitholders as a whole.

Notwithstanding any of the foregoing, the SFC reserves the right to review or revise any of the conditions relating to the waivers if there are any subsequent change of circumstances that affect any of them. In the event of future amendments to the REIT Code imposing more stringent requirements than those applicable at the date of the waivers granted by the SFC on transactions of the kind to which the transactions belong (including, but not limited to, a requirement that such transaction be made conditional on approval by the independent Unitholders), the Manager shall take immediate steps to ensure compliance with such requirements within a reasonable period.

The various categories of transaction which are the subject of the waivers set out above are supplementary to any and all applicable exemptions and permissions under the REIT Code and are independent of each other so that none is in any way limited by or by reference to any of the others and if more than one category is relevant in any particular circumstance or situation, any relevant category may apply.

Unitholders' Mandate

The Manager may at any time in future seek a general annual mandate from the Unitholders in relation to other waivers from, or confirmations in relation to, the connected party transaction rules. Such mandates may include continuations or extensions of existing waivers (including those set out above).

In seeking any such general mandate, the Audit Committee and any other independent non-executive Directors will render an opinion as to whether the methods or procedures for determining the transaction prices or other relevant terms of the transaction contemplated under

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the general mandate are sufficient to ensure that such transactions will be carried out on arm's length basis and on normal commercial terms, will not be prejudicial to the interests of GZI REIT and the Unitholders and that the terms and conditions of such transactions will be fair and reasonable.

Role of the Audit Committee and the Independent Non-executive Directors for Connected Party Transactions

The Audit Committee (comprising at all times of independent non-executive Directors only) and any other independent non-executive Directors will periodically review (and the executive Directors or operating units in GZI REIT will periodically produce reports to the Audit Committee and any other independent non-executive Directors for review of) all connected party transactions to ensure compliance with the Manager's internal control system and with the relevant provisions of the REIT Code. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee or any other independent non-executive Directors.

If a member of the Audit Committee or any other independent non-executive Directors has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

Announcements and Reporting

Save as described above, connected party transactions will be reviewed by GZI REIT's auditors and will be subject to disclosure in GZI REIT's annual report and accounts.

The Global Offering

A number of transactions have been and will be entered into in connection with the Global Offering with the HSBC Group, including the Underwriting Agreements, the appointment and role of the Stabilising Manager. The connected party transaction rules under the REIT Code apply following the Listing of Units on the Hong Kong Stock Exchange and do not apply to these arrangements.

Other Continuing Transactions

A number of transactions have been entered into between GZI REIT and members of the GZI Group. Details of such transactions are disclosed in the section headed "Material Agreements and Other Documents Relating to GZI REIT" of this Offering Circular and Appendix X to this Offering Circular. Save as otherwise disclosed in this section or as otherwise excepted under the REIT Code, such transactions will be subject to the connected party transaction rules of the REIT Code after the Listing Date.

Other than as disclosed above, there are no connected party transactions of which the Directors are aware of which may continue after the completion of the Global Offering.