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## OTHER INFORMATION

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## TAXATION

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*The following statements are by way of a general guide to investors only and do not constitute tax advice. Investors are therefore advised to consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Units under the laws of their country of incorporation, establishment, citizenship, residence or domicile.*

This section has covered all types of taxes currently applicable to GZI REIT in the PRC, Hong Kong and BVI.

Investors should note that the following statements on taxation are based on advice received by the Manager regarding the law and practice in force as at the date of this Offering Circular. As is the case with any investment, there can be no guarantee that the tax position prevailing at the time an investment is made by GZI REIT will continue indefinitely.

### GZI REIT

#### ***Profits tax***

GZI REIT is exempt from Hong Kong profits tax but Holdco and the BVI Companies will individually be subject to Hong Kong profits tax. Distributions made by GZI REIT to Unitholders are not subject to any withholding tax in Hong Kong.

Holdco is chargeable to Hong Kong profits tax in respect of any profits arising in or derived from Hong Kong (excluding profits arising from the sale of capital assets) from the carrying on of a trade, profession or business in Hong Kong. Dividend income derived by Holdco from the BVI Companies is exempt from Hong Kong profits tax.

The BVI Companies are chargeable to Hong Kong profits tax in respect of any profits arising in or derived from Hong Kong from the carrying on of a trade, profession or business in Hong Kong. Rental income derived from real estate located outside Hong Kong is generally regarded as income arising in or derived from outside Hong Kong and hence are exempt from Hong Kong profits tax. Any gain arising from the disposal of real estate located outside is generally regarded as income arising in or derived from outside Hong Kong and hence exempt from Hong Kong profits tax. Besides, capital gains are generally exempt from Hong Kong profits tax.

The current Hong Kong profits tax rate is 17.5%.

#### ***Stamp duty***

No Hong Kong stamp duty is payable by GZI REIT on the issue of new Units.

## PRC Taxation of the BVI Companies

### *Withholding tax*

The BVI Companies are subject to Foreign Enterprise Income Tax under the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises. In general, the BVI Companies, as foreign enterprises without permanent establishments in the PRC, are subject to PRC withholding tax at a rate of 10.0%<sup>(1)</sup> on their rental income (with no deductions for expenses or allowances except for business tax).

For gains on disposal of property, the BVI Companies are subject to the PRC withholding tax at the current prevailing rate of 10.0%. The gain refers to the remaining balance after the original cost of acquisition of property is deducted from the sale proceeds received from the transfer. The buyer of a Property has the obligation to withhold the related withholding tax before making payments to the relevant BVI Company.

### *Business tax*

According to the Provisional Regulations on Business Tax of the PRC, rental income and proceeds from the sale of property is subject to business tax at 5.0%.

For the business tax incurred on rental income, the BVI Companies can deduct such a business tax from their gross rental income when calculating their withholding tax liability.

For the disposal of property, business tax is calculated based on the net selling price<sup>(2)</sup>.

The tax is collected by way of withholding. The PRC rental collection agents or the buyers of the Properties have the obligation to withhold the related business tax before making payments to the BVI Companies.

### *Flood prevention fee*

According to the relevant Flood Prevention Fee Regulations in Guangzhou, the BVI Companies are required to pay flood prevention fee at 0.09% based on rental income received and any proceeds from sale of property.

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<sup>(1)</sup> Under Article 19 of the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, the PRC statutory withholding tax rate on rental income, gain on disposal of real properties and interest derived by foreign enterprises is 20.0%. The 10.0% rate noted above is a reduced rate pursuant to the tax circular, Guofa [2000] No. 37, issued by the State Council.

<sup>(2)</sup> Net selling price = selling price - original purchase cost of the building.

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## ***Land appreciation tax***

Under the Provisional Regulations of the PRC on Land Appreciation Tax, the BVI Companies are subject to land appreciation tax on the taxable gain on sale of property. The taxable gain is determined based on the sales proceeds after having deducted the “allowable deductions” for the building. These allowable deductions include the following items:

- acquisition cost of the land use right;
- assessed value of the building; and
- taxes incurred in connection with the transfer of the building.

The land appreciation tax rate is progressive from 30.0% to 60.0% of the taxable gain, depending on the appreciation value as compared with the above-mentioned “allowable deductions”.

<b>Appreciation value</b>	<b>Tax rates</b>
	(%)
For the portion:	
- not exceeding 50.0% of the allowable deductions	30.0
- over 50.0% but not more than 100.0% of the allowable deductions	40.0
- over 100.0% but not more than 200.0% of the allowable deductions	50.0
- over 200.0% of the allowable deductions	60.0

## ***Urban real estate tax***

According to the Provisional Regulations of the PRC on Urban Real Estate Tax, landlords are subject to urban real estate tax. In Guangzhou, urban real estate tax is generally imposed with reference to 70.0% of the original cost of the real estate at a rate of 1.2% per annum (the “cost method”). For the self-constructed buildings, the original cost refers to the construction cost of the building. For acquired buildings, the original cost refers to the purchase cost of the building and any additional cost incurred to complete the construction. According to the relevant Guangzhou tax circular, Suidishuifa [2002] No. 235, subject to approval, the cost of land use right can be excluded when calculating the tax base for urban real estate tax purposes.

There are however few exceptions in other PRC cities under which foreign enterprises may be required to pay urban real estate tax based on their rental income at 12.0% to 18.0% (the “rental method”). The latter basis applies if the tax authorities disagree with the original cost of the real estate adopted by the taxpayer in their tax filings. Currently, the BVI Companies are paying

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their urban real estate tax liabilities using the cost method. Urban real estate tax is generally collected on a monthly or semi-annual basis depending on local practice. After the Listing Date, any fair value adjustments of the Properties in accordance will not change the tax base of the buildings for the calculation of urban real estate tax purposes.

### ***Stamp duty***

Tenancy agreements and property transfer contracts are subject to stamp duty at 0.1% and 0.05% of the total contract sum respectively, payable by both parties to the contracts.

### ***Deed tax***

According to the Provisional Rules of the People's Republic of China on Deed Tax, deed tax is levied on transfer of land use rights and/or buildings. The tax rate ranges from 3.0% to 5.0% depending on the location where the land use right or building is located. The taxpayer is the transferee of the land use right and/or building. In Guangzhou, the deed tax rate is 3.0%

Save as set out above, as at the latest practicable date, the BVI Companies are not subject to any other form of taxation in the PRC.

### **BVI Taxation of the BVI Companies**

The BVI Companies are not subject to BVI taxation. There is no withholding tax imposed on dividend distributions to GZI REIT.

### **Investors**

#### ***Profits tax***

It is understood that, under the Inland Revenue Department's current practice, Hong Kong profits tax will not be payable by any investor on the distributions made by GZI REIT. Unitholders should take advice from their own professional advisers as to their particular tax position.

Hong Kong profits tax will not be payable to any investor (other than an investor carrying on a trade, profession or business in Hong Kong and holding the Units for trading purposes) on any capital gain made on the sale or other disposal of the Units.

#### ***Stamp duty***

No Hong Kong stamp duty is payable by an investor in relation to the issue of Units to him by GZI REIT.

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The sale and purchase of Units by an investor will attract Hong Kong stamp duty at the current rate of 0.2% of the price of the Units being sold or purchased, whether or not the sale or purchase is on or off the Hong Kong Stock Exchange. The investor selling the Units and the purchaser will each be liable for one-half of the amount of the Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of Units.

### ***Estate duty***

Units will form part of the Hong Kong estate of a deceased investor for the purpose of Hong Kong estate duty.

The Legislative Council passed the Revenue (Abolition of Estate Duty) Bill 2005 on 2 November 2005 and the relevant ordinance will commence operation three months from its publication in the gazette. The Hong Kong estate of an investor who passes away on or after the commencement date of such ordinance will not be subject to estate duty. The estate duty chargeable in respect of deaths occurring on or after 15 July 2005 but before the commencement date of such ordinance would be reduced with retrospective effect to a nominal duty of HK\$100 for estates of assessed value exceeding HK\$7.5 million.