

Wing Tai Properties Limited

(Incorporated in Bermuda with limited liability)

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The Securities and Futures Commission
35/F., Cheung Kong Center
2 Queen's Road Central
Hong Kong

Dear Sirs,

Re : Consultation Paper (the "Consultation Paper") on Amendments to the Code on Real Estate Investment Trusts (the "REIT Code")

We support the proposals to introduce flexibility for REITs to invest in properties under development or engage in property development activities as well as invest in financial instruments. We take such position because we are of the view that such flexibility will provide rooms to REIT Managers to better manage the REITs' yields and assets and that the same are in turn in the interests of unitholders.

We would share with you our views on the proposed threshold limit, profit tax concession and stamp duty concession below.

Proposed Threshold Limited

1. We consider that the proposed threshold limit is too restrictive.
2. We accept the limit that no less than 75% of the Gross Assets Value should be invested in real estate that generates recurrent rental income on all time but we do not consider it necessary to set a sub-limit of 20% for development or redevelopment projects.
3. There will be opportunities to redevelop properties already owned by a REIT or to acquire a property adjoining to a property already owned by a REIT whereby the two properties can be redeveloped together in a comprehensive manner. We are of the opinion that if the unitholders consider that these opportunities are beneficial to them and they approve (whether by a general mandate or a specific approval) the REIT manager to grasp these opportunity, the REIT manager should not be denied to do so even though the threshold limit concerned has been exceeded. In such circumstances, a full waiver should be granted by the Commission.

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Profit Tax Concession and Stamp Duty Concession

4. We take note of the remark that a removal of profit tax could result in Hong Kong REITs becoming completely tax-free. However, this is already the case in some of our competitors. For example, Singapore gives trustees of REITs a tax transparency treatment whereby unitholders who are natural persons are generally exempt from tax.
5. Therefore, we are of the opinion that profit tax concession can hence the competitiveness of Hong Kong and is an attractive economic incentive for new REITs to be launch in Hong Kong.
6. In the current regime, if the sponsors inject their properties into REITs or REITs grow by acquiring new properties, the stamp duty involved could amount to 23% or more of the value of the properties concerned. This is extremely expensive and is non-starter.
7. We are therefore of the opinion that Hong Kong REITs should be exempt from stamp duty for their property transactions. At least, they should enjoy concessionary rates of stamp duties.