

24-January-2014

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

Dear Sirs,

**Consultation Paper on Amendments to the Code on Real Estate Investment Trusts (the "Consultation Paper")**

I do not support both proposals from the Consultation Paper and below and would like to comment on three of the specific questions raised in the Consultation Paper

Question 1: Do you consider that flexibility in respect of property development investments and related activities should be introduced for REITs

- ❖ Should not introduce this flexibility for REITs.
- ❖ REITs have experienced steady and healthy growth in the past years, why need to take such an aggressive approach.
- ❖ Investors have already gained confidence in Hong Kong REIT market due to the well-structured legal and regulatory frameworks, introducing property development investments and related activities could have total change the risk profile of the market.
- ❖ On top of illustrated risks such as construction risk, time delay risk, legal risk and other concerns. Some risks may not be identifiable even with sufficient due diligence at the time of entering into the development project such as global financial crisis or SARS.
- ❖ REITs are unique from other property companies and developers as they only permitted to invest in income-generating real estate, adding such flexibility will blur the nature of REITs with others.
- ❖ Unlike up and running property which will give certainty of the stability of rental income generated, property development will create uncertainty as no proven record of rental income.
- ❖ REIT market in Hong Kong is relatively small in the region, together with the prevailing volatility of the property market in Hong Kong, it is not a right time to permit REITs to participate or engage in property development.

Question 2: Do you consider that the 10% GAV Cap is set as an appropriate threshold?

- ❖ Without prejudice to my view of opposing the proposal. Using GAV as the calculation basis is too aggressive.
- ❖ It would be more appropriate to use the NAV (net asset value) as a basis, in order to minimize the degree of the risks for unitholders/investors.

Question 6: DO you have any comments on the proposed scope of the Relevant Investments and the proposed Maximum Cap

- ❖ Should not introduce this flexibility for REITs.
- ❖ REIT managers may not have the relevant experts to invest in non-real estate assets. This kind of investments requires completely a different set of knowledge and expertise.
- ❖ Encourage REIT managers to engage in speculative investments.
- ❖ Allow RIET manager to raise capital blindly by investing in those non-real estate assets.
- ❖ The list of financial instruments is too wide.
- ❖ Permissible non-real estate assets should be restricted to principal protected instrument.

I am not supportive to both proposals in the Consultation Paper. Competition in the property development market in Hong Kong is very keen. To permit REITs to participate in property development will intensify such competition. Also given the size of the REITs, I do believe most of the REITs in Hong Kong are not keen on participating in property development investment or vacant land investment.

In terms of risks associated with property development and investment in non-real estate assets, should any event of risk in association with the proposals occur, it will ultimately hurt the investors. Therefore, I respectfully hope the Commission to re-consider the appropriateness of the proposals in order to protect investors' interest.

Yours faithfully,

Wong Pu Sze