

Date: 21 February 2014

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

By email: reitsconsultation@sfc.hk

Dear Sir,

**Re: Consultation Paper on Amendments to the Code on  
Real Estate Investment Trusts (REITs)  
Comments on the Consultation Paper**

---

We refer to captioned issue and would submit our comments in same order as the list of specific questions raised in the Consultation Paper as follows:

**Proposal for introducing flexibility in respect of investments in properties under development or engagement in property development activities:**

1. We do consider that flexibility in respect of property development investments and related activities should be introduced for REITs.

This will facilitate not only long-term growth of the Hong Kong REITs market, but also allow more interested and capable parties to enter into the property development market whereby the property market in Hong Kong can be grown in a more balanced and competitive manner.

2. We do consider that the 10% GAV Cap represents an appropriate threshold at present moment in consideration of a starting point and in comparison with other REITs in other countries.

However, in medium to long-term, such Cap shall be reviewed and increased depending on the economic climate and the development atmosphere of the property market in Hong Kong.

3. Pursuant to paragraph 16 of the Consultation Paper on the Property Development Costs to be based on a fair estimate made by the REIT Manager in good faith supported by the opinion of an independent expert acceptable to the Commission.

We consider that “an independent expert” could be replaced by “one or more independent experts” in order to achieve a balance of estimates under different views of different independent experts.

Date: 21 February 2014

4. The frequency of periodic update to unitholders and investors as stated under paragraph 25 of the Consultation Paper, i.e. in the interim and annual reports of the REITs, is considered reasonable.
5. In addition to ensuring the REIT has sufficient resources to finance the property development investments and related activities as provided for under paragraph 24(c) of the Consultation Paper, any additional borrowings where subsequently required shall not contain any repayment terms or warranty for set off from the rental income of the properties held by the REIT in order to ensure each and every property development is self financing and will not cause negative impact to the unitholders.

**Proposal for introducing flexibilities in respect of investments in financial instruments.**

6. We have no comments on the proposed scope of the Relevant Investments and the proposed Maximum Cap as described under paragraphs 35 and 36 of the Consultation Paper.
7. More stringent requirements and conditions shall be imposed on the Relevant Investments for “unlisted debt securities” and “overseas property funds”

Yours faithfully,  
For and on behalf of  
Kin Shing (Leung's) General Contractors Ltd.