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By Fax and e-mail

Investment Products Department
The Securities and Futures Commission
8/F., Chater House
8 Connaught Road Central
Hong Kong

Dear Sirs

Consultation Paper on Draft Practice Note on Overseas Investments by SFC-Authorised Real Estate Investment Trusts (REITs) – Issued in March 2005

We refer to the above consultation paper and would like to provide the following comments for your consideration.

In general, we support the SFC's proposal to allow overseas investments by REITs. The proposal is in line with the requirements of REITs in major jurisdictions and would broaden the investment choices for the fund management industry in Hong Kong.

With regard to the four specific issues set out on page 10 of the consultation paper, we have the following comments:

- (1) We are in favour of raising the gearing ratio to 50%, which is in line with the standards of major overseas markets and can provide more flexibility to market participants.
- (2) We also support the proposal for payment of management fees by way of issuance of units. Again, this would allow greater flexibility to the management companies of REITs.
- (3) We have no objection to the proposal to levy the REIT application fee on a cost recovery basis.

Chairman Bank of China (Hong Kong) Ltd
Vice Chairmen Standard Chartered Bank (Hong Kong) Ltd
The Hongkong and Shanghai Banking Corporation Ltd
Secretary Eva Wong Mei Seong

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秘書 黃美嫦



(4) While we agree to the taking out of title insurance by the management company, we query the proposal of taking out professional indemnity insurance since the management company should have already been required to take out adequate professional indemnity insurance cover under the SFC's Fund Manager's Code of Conduct.

Please note that we have no objection to the disclosure of our submission by the SFC.

Yours faithfully

A handwritten signature in black ink, appearing to read "Eva Wong", is written over a vertical line.

Eva Wong
Secretary