29th April, 2005

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

Dear Sir,

CONSULTATION PAPER ON DRAFT PRACTICE NOTE ON OVERSEAS INVESTMENTS BY SFC-AUTHORISED REAL ESTATE INVESTMENT TRUSTS

We wish to express our strong support for the proposal that overseas properties should be able to be included in a Hong Kong REIT.

We would however urge the Commission to clarify:

- that title insurance is optional in all situations

- that where a management company is part of a larger group, such larger group is not under any obligation to provide any form of support to the management company save in so far as it has contractually agreed to do so

- whether any of the provisions of paragraphs 9 to 33 of the practice note should apply to REITs which do not have overseas properties (we note that paragraph 34 specifically addresses this as regards paragraphs 35 to 44 of the practice note)

We have two specific concerns as regards paragraph 21 of the practice note:

- it is unclear whether this is seeking to import merely the due diligence responsibilities and functions of a sponsor, or whether other duties are envisaged (e.g. does it also include all the provisions as to sponsor's independence?). If it is seeking to import such wider responsibilities we believe that addressing such complex issues in an SFC Code by means of a cross-reference to another regulator's rules to be both impractical and inappropriate

- if the paragraph is only seeking to import requirements as to "comparable standards of due diligence", such importation is unnecessary as the REIT Code and the practice note set out clearly, and in grant detail, the due diligence relevant to, and which must be carried out in regard to, a REIT. The situation however becomes very unclear if, for example, there is an expectation that somehow the procedures of Practice Note 21 of the main board listing rules are going to be required to be followed

As regards the other matters on which comments from the public are specifically requested:

1. We agree that the maximum gearing ratio permitted should be raised to 40%. We would also propose a waiver of this ceiling, similar to the regime in Singapore, where the debt is rated at an appropriate investment grade.

2. We agree that management fees should be permitted, as an option, to be paid in units. We note that this is permitted (and practised) in the Singapore market.

3. We do not believe we can comment on whether setting fees on a "cost recovery basis" is appropriate without knowing what the fees will be. We would observe though that Hong Kong should endeavour to remain competitive in all respects with the Singapore market.

4. We do not agree that there should be a requirement for the management company to take out professional indemnity insurance. This should be a matter of choice for the manager, and for consideration by the relevant stakeholders when choosing who to engage as the manager.

We wish our name to be withheld from publication.

Yours faithfully,