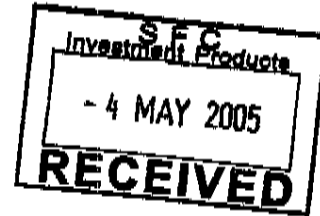




29 April 2005

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

1. We welcome the Securities and Futures Commission ("Commission") allowing Real Estate Investment Trusts (REITs) the flexibility of investing in overseas properties as this would give investors a wider investment choice and an opportunity to diversify their investments.
2. We agree that all REITs, whether they invest in Hong Kong or overseas properties, should be regulated by the same regime, i.e. the Code on REITs.
3. *Para 33 of the draft Practice Notes states that "...it shall ensure that the overseas valuer possess such experience, qualifications and independence comparable to the acceptability criteria and independence standards specified in the Code."*

As the Code requires a property valuer to be a company that (among other things) has sufficient financial resources, particularly a minimum issued and paid-up capital of HK\$1 million and has adequate professional insurance, the overseas valuer will also be subject to the same requirements. This may not be practicable in some countries.

Since the Principal Valuer will assume overall responsibility of the whole valuation, the overseas valuers should be exempted from those two above requirements.



4. *Para. 33(2) of the draft Practice Notes states that "An overseas valuer shall only be acceptable...if..subject to the oversight of a reputable national professional organization for valuers."*

Some countries, such as Macau, Philippines, Vietnam etc., may not have formal professional valuation organization although there are experienced and knowledgeable valuers who could be members of international valuation organizations.

As the Principal Valuer will take the full responsibility of the whole valuation, it is recommended that the principal valuer should be given wider authority to select overseas valuers provided that adequate disclosure of the qualifications (academic and professional) and experience of the overseas valuers are made in the valuation report.

5. *Para.42 of the draft Practice Notes requires that a valuation report is expected to include, as a minimum, analysis and commentary on*

We have no strong objection against those information stated in the Practice Note to be included in the valuation report. However, we are of the opinion that the reports provided by the professionals should be concise and precise so that those who are interested in investing in the scheme could easily understand the background and financial information. It would be cumbersome to repeat the opinion of other professional in our report. For example, transaction history of the relevant property in the five years immediately preceding the date of the valuation report should have already been reported in the legal opinion prepared by the lawyer and repeating the transaction history in the valuation report appears unnecessary. We would recommend that the valuer should not be required to repeat all the information prepared by other professionals.

Depending on the availability of transaction information in some places, it may be impossible for the valuer to independently verify the transaction history and the title information provided by the client. It may also be difficult, if not impossible, for the valuer to get the comparables transacted few years ago and do the analysis as there is no proper registration system in some places. We would therefore recommend that the "5-year" rule should be deleted/amended to reflect the practical difficulty for the valuer to analyse the historic transactions.



6. Professional Insurance

The Code has expressly required a property valuer to have adequate professional insurance to cover its usual risks.

It is recommended that the requirement should be explicitly repeated in the Practice Note and the principal valuer should have adequate insurance to cover valuation of the overseas properties.

7. Valuation Standards

Paragraph 33(4) requires the overseas valuer to adopt International Valuation Standard for overseas property. However, properties in some of the areas e.g. Macau and the People's Republic of China, are well known to the Principal Valuers and the investors. It is recommended that the Principal Valuer could choose between HKIS Valuation Standards and the International Valuation Standards for properties in Macau and the People's Republic of China.

We hope the above could provide you with our opinion. Should you need us to further elaborate the above please feel free to contact us.

Yours faithfully,

Yu Kam Hung
Chairman of General Practice Division
Hong Kong Institute of Surveyors

K.K. Chiu
Convenor of Working Group on REITs

cc: President of HKIS - Mr T T Cheng