

26 February 2014

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

Fax: 2877 0318

Dear Sir

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

I, being an individual retail investor, refer to the above consultation paper released on 27 January 2014 (the "Consultation Paper"). I am in general agreement with the proposals set out in paragraphs 13 to 29 of the Consultation Paper. However, I disagree with the proposals set out in paragraphs 34 to 43 of the Consultation Paper.

I set out my comments below for your consideration. The item numbers below correspond to the question numbers in Consultation Paper.

1. Yes, agree. This flexibility is desirable.
2. Yes, agree. The proposed threshold is appropriate.
3. No.
4. Yes, I agree with the proposals set out in paragraphs 25 and 26.
5. I suggest that the following safeguards may be imposed:
  - a) For paragraph 24(a) of the Consultation Paper, the REIT manager should seek a written opinion from a qualified surveyor;
  - b) For paragraph 24(b) of the Consultation Paper, the REIT manager should seek legal opinion from a qualified lawyer at relevant jurisdictions;
  - c) For paragraph 24(c) of the Consultation Paper, the REIT manager should obtain a written confirmation from its financial adviser who is duly licensed under the SFO;
  - d) For paragraph 24(d) of the Consultation Paper, the directors of the REIT manager should be able to provide a written confirmation to the effect that the REIT manager has competent and adequate staff with sufficient and appropriate skills, resources and expertise, etc. in place to manage the property development investments and related activities.

Therefore, in addition to the safeguards proposed in the

Consultation Paper, there would be four additional opinions/confirmations that would be required before the REIT manager could take advantage of this flexibility.

6. I do not agree with this proposal. Investments in financial instruments would divert the attention of the REIT manager to an unrelated area which requires expertise and substantial experience. If the REIT manager finds it difficult to identify suitable property acquisition opportunities due to market conditions, it may simply increase its dividend pay-out ratio. Alternatively, it may put the surplus cash to a fixed deposit account pending for use when opportunities arise in the near future. If the REIT manager were to allow to invest in listed companies or units in property funds or other listed REITs and debt instruments, would it be allowed to invest in gold or silver bullion? How about investment in antique or gold watches, etc.? Any proposal to extend REITs to invest in financial instruments is highly undesirable. It will only distort the real meaning of "REIT" and making it more complicated and more difficult for retail investors to understand its nature and risk profile.
7. As I do not agree with this proposal, this question is not applicable.

I hope my comments above would be helpful to you.

I have no objection for my name and comments to be published, in whole or in part on the SFC's website and/or in other documents to be published by the SFC. Should you have any questions, please feel free to call me at \_\_\_\_\_ via e-mail:

Yours faithfully

  
SUEN Chi Wai