

SFC Consultation Paper on Amendments to the Code on Real Estate Investment Trusts (Jan 2014)

SFC Questions	views
1. Do you consider that flexibility in respect of property development investments and related activities should be introduced for REITs?	<p>Strongly agreed. The reasons are:</p> <ul style="list-style-type: none"> a. HK is a leading global financial centre for fund raising and a tap to the China market. More flexibility allows diversification, reduces risks and attracts investors. It creates an attractive listing venue for Chinese/overseas real estate companies to list their assets via a REIT structure. b. Alignment of the REITs' Code with other Asia and Western capital markets is crucial in keeping HK as international premier asset management centre in long term. c. Proposed flexibility is subject to a threshold test, detailed disclosure, reporting and unitholders' approval requirements (as applicable) and shareholders are being informed and protected. d. The changes facilitate market development and competitiveness of HK REITs in the world.
2. Do you consider that the 10% Gross Asset Value (GAT) Cap is set as an appropriate threshold?	No comment.
3. Do you have any comments on how the Property Development Costs should be calculated?	No comment.
4. Do you have any comments on the frequency of the periodic updates that should be provided to unitholders on the status of property development investments and related activities?	No comment.
5. What additional safeguards do you consider appropriate to ensure there will not be any material change to overall risk profile of a REIT despite the flexibility to engage in a limited extent of property development investments and related activities?	No comment.
6. Do you have any comments on the proposed scope of the Relevant Investments and the proposed Maximum Cap?	No comment.
7. What other safeguards do you consider appropriate to be put in place corresponding to the proposal to allow for the Relevant Investments?	No comment.