

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

17 February 2014

Dear Sirs,

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

I am grateful for the opportunity to comment on the Consultation Paper.

I set out my comments below for your consideration.

Question 1: Do you consider that flexibility in respect of property development investments and related activities should be introduced for REITs

I do not consider that flexibility in respect of property development investments and related activities should be introduced to REITs as those activities will certainly introduce additional risks including construction risk, time delay risk and legal risk.

With uncertainty in the financial market, those activities will bring unpredicted risks to the REITs and the retail investors may not have enough knowledge to understand the additional risks introduced. Furthermore, the property development has no proven record of rental income and this will complicate both the REIT manager and investors on their investment decision.

The new proposal will also require additional cost to REIT manager in order to properly manage the additional risks and this will impact the performance and hence the distribution of the REITs.

Question 2: Do you consider that the 10% GAV Cap is set as an appropriate threshold?

The 10% GAV Cap to set as a threshold is not appropriate as this is too high and the REIT will be exposed to too much additional risks. We may consider using the net asset value to be the basis of calculating the threshold which would minimize the degree of the risks exposed.

Question 3: Do you have any comments on how the Property Development Costs should be calculated?

No comments on Question 3, as in general I do not agree with the proposal of introducing property development investments for REITs.

Question 4: Do you have any comments on the frequency of periodic updates that should be provided to unitholders on the status of property development investments and related activities?

No comments on Question 4, as in general I do not agree with the proposal of introducing property development investments for REITs.

Question 5: What additional safeguards do you consider appropriate to ensure there will not be any material change to overall risk profile for a REIT despite the flexibility to engage in a limited extent of property development investments and related activities?

No safeguards as in this market. In addition, I do not agree with the proposal of introducing property development investments for REITs.

Question 6: Do you have any comments on the proposed scope of the Relevant Investments and the proposed Maximum Cap

The proposed scope of the Relevant Investments and the proposed Maximum Cap are inappropriate to the Hong Kong REIT market.

Investment in non-real estate assets requires new skills and expertise for REIT management. This proposal will impose extra expenses in engaging the relevant experts.

The Maximum Cap of 15% of the gross asset value of the REIT to invest in non-real estate assets and the wide proposed scope of non-real estate will add complication to the fundamental principle of the REITs as that they are primarily intended to be recurrent rental income-producing vehicles investing in real estate only with clear and well-defined strategy.

I truly believe that the permissible non-real estate assets should be restricted to principal protected instrument.

Question 7: What other safeguards do you consider appropriate to be put in place corresponding to the proposal to allow for the Relevant Investments

No safeguards as in this market. In addition, I do not agree with the proposal of introducing Relevant Investments for REITs.

In conclusion, I am not supportive to both of the proposals listed out in the Consultation Paper. As REITs are defensive investment scheme, I do not see any reason why the Commission takes such a robust approach to propose to permit participating in property development and to invest in non-real estate assets which contradict the fundamental principles of REITs.

I hope my comments above would be helpful to you.