



Our Ref: RPML/L-058/14

26 February, 2014

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

Dear Sirs,

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

With reference to the consultation paper on amendments to the Code on Real Estate Investment Trusts ("REITs") on 27 January, 2014, the Manager of Regal Real Estate Investment Trust in principle supports the SFC's proposal on the relaxation measures of the REIT Code. Details of the rationale are set out as below:

1. Investment in Land and Development Activities

The relaxation of the REIT Code to allow development activities up to 10% GAV shall allow greater flexibility for H-REITs to acquire land and/or buildings for redevelopment, if in line with their investment strategy. REIT Managers can also actively consider the redevelopment potential of one/several of the relevant H-REIT's properties. This shall allow REIT Managers to maximize the value of the REIT's properties in the long run, providing a stimulus to (and increasing the aggregate market value of) the H-REIT sector. With such stimulus, REIT Managers could prepare redevelopment plans with greater flexibility and scope to execute when the property cycle favors such action, where this is in the interests of the unitholders. For instance, when a property's cycle is in downturn, it may be cheaper to redevelop the property than to maintain it in the long run, thus providing better long term value to unitholders.

2. Financial Instrument, Cash Management and Treasury Activities

The relaxation of investment of financial resources in various securities and vehicles as suggested in the consultation paper encourages REIT Managers to raise funds when the capital markets are attractive (rather than concurrently with an acquisition) as the REIT Manager will have more flexibility in allocating such funds into various short/medium term securities, until deployment of funds to meet acquisition needs (thereby mitigating the negative carry otherwise associated with the fundraising exercise). The REIT Manager will also have more scope to implement financing strategies which best fit their requirements and strike a balance between prudent measures and opportunity to grow the portfolio at affordable costs. Further, the relaxation on the scope of relevant investment and incorporation of maximum cap allows H-REITs to complete property acquisitions more

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**Regal Portfolio
Management Limited**

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quickly and with more certainty, as funds are already on hand, thereby mitigating the transaction risk associated with the acquisition (particularly when dealing with arm's length sellers).

We consider that the above two proposals should further promote the H-REIT market and Hong Kong as a Capital Formation Center and Asset Management Center in the Asia-Pacific Region by enhancing its attractiveness and competitiveness. Further consideration of tax incentive/relief might also be beneficial in long run to attract more developers (potential issuers) from Mainland China or Asian countries to list their portfolios in the Hong Kong Exchange. The increase in the volume of business transactions related to H-REITs could benefit the financial services sectors, professional services sectors and employment opportunities in Hong Kong to a great extent, as well as further strengthen Hong Kong as a world-class financial centre.

For the reasons above, we are in-principle strongly supportive to the initiatives of the SFC, which we believe will further develop the H-REIT platform and enlarge the Asset Under Management of current H-REITs and newcomers that consider to be listed in the Hong Kong Exchange in future.

Yours faithfully,
For and on behalf of
REGAL PORTFOLIO MANAGEMENT LIMITED
(As the Manager of Regal Real Estate Investment Trust)