Date: 24 February 2014

Mr. Ashley Alder
Chief Executive Officer
Securities and Futures Commission
35/F Cheung Kong Center,
2 Queen's Road Central,
Hong Kong

Dear Mr. Alder,

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

I am referring to the recent consultation paper on amendments to the Code on Real Estate Investment Trusts ("Consultation Paper") issued by SFC on 27 January 2014 and would like to submit my views and concerns as follow.

I object to the proposals of permitting REIT to invest in property development and financial instruments, which in my view, would certainly raise the risk profile of REITs. REITs are defensive investment scheme by its nature of highly visible recurring income stream. I have concerns that REITs will lose its attractiveness to investors if they are not able to show a clear and focused investment strategy.

Investing in property development requires the REIT Managers to have some highly specialize expertise which is completely different from managing income producing properties. The property development business is extremely competitive in developed market like Hong Kong. And it is a very long process of at least a few years from converting a vacant land to building for occupation. The process involves high and unknown risks in various aspects like construction, policy, legal, cost control etc. It will add severe risk to REITs' financials and execution. I would like to submit a failure example by a Singapore based business trust for SFC's attention. Due to some serious delay from one of its development projects and changes in market condition, Indiabulls properties Investment Trust which was listed in Singapore in 2008 was only able to pay dividend until 2012.

Nevertheless, the gross asset values for most Hong Kong-listed REITs are small. The 10% cap would give REITs very limited development options, especially in Hong Kong and other top-tier cities in mainland China where land prices are very high and construction costs are under enormous inflation pressure. On the other hand, if REITs are to form joint ventures or invest a partial stake for property development, they are likely to lose full execution/management control on the development projects.

For investment in financial instruments, I am of the view that allowing 25% of the gross asset value of the REIT to invest in non-real estate assets will definitely undermine the fundamental principle of the REITs that they are primarily intended to be recurrent rental income-producing vehicles investing in real estate. I have concerns that REIT Managers, with the pressure on chasing performance among their peers, will go after short term gain in the expense of long term stability of the REITs.

Based on the above, I respectfully request the Commission to re-consider the appropriateness of such proposals.

Thank you very much for your kind attention. I look forward to the SFC's response on the Consultation Paper.