18 February 2014

The 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

I am writing to respond to the above consultation paper published in January 2014 (the “Consultation Paper”). I am in general **against** the proposals due to the following reasons.

I do not support with the introduction in respect of property development investments and specific activities for REITs. Increasing the flexibility to property development investment activities will for sure increase the risks of the real estate management. And in order to properly manage the extra risks such as legal risk, construction risk and cost inflation risk, etc., additional costs will be required and this will directly impact the dividend distribution to the shareholders.

Besides, the property development investment activities allow investment without proven records of historical rental income. This will add additional volatilities of the REIT performance.

I do not support the 10% GAV Cap as an appropriate threshold as this is too high especially at the initial stage of introduction of this new measure. It may be more appropriate to use the net asset value as a basis for calculation of the cap in order to minimize the risk exposure for the permissible amount of participation in property development.

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

I do not support permitting a REIT to invest in the proposed scope of the Relevant Investments and the proposed Maximum Cap.

Different skill sets, experience and knowledge are required for investing in non-real estate assets which the REIT managers may not have currently. This proposal will add additional costs to REIT managers and this eventually will impact the distribution of the REITs to the shareholders.

Also, allowing a Maximum Cap of 15% of the gross asset value of the REIT to invest in non-real estate assets does not align with the fundamental principle of the REITs that they are primarily intended to be recurrent rental income-producing vehicles investing in real estate.

In addition, the core strategy of the REITs will be diluted by the proposed wide scopes of non-real estate which should be in fact be restricted to principal protected instrument.

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.

Yours faithfully,

Leung Wing Man