



**SECURITIES AND
FUTURES COMMISSION**
證券及期貨事務監察委員會

An Update on the Regulatory Landscape

11 April 2025

Securities and Futures Commission

Market landscape and overview

<p>Hong Kong REITs market statistics</p> <ul style="list-style-type: none"> • Growth of market capitalization since Nov 2005 • Market capitalization as at 30 September 2022 • Average daily turnover for 2021 • Hang Seng REIT Index Total Return Index (since launch in October 2008 to 30 September 2022) 	<p>+705%</p> <p>HK\$177 billion</p> <p>HK\$453 million</p> <p>+525%</p> <p>(HSI TRI: +154%)</p>
<p>M&A activities in 2022</p> <ul style="list-style-type: none"> • Total consideration 	<p>Over HK\$8 billion</p>
<p>Fundraising activities in 2022</p> <ul style="list-style-type: none"> • Fund raised through secondary offerings (such as rights issue and listed debts) 	<p>Over HK\$11 billion</p>
<p>MPF Investments</p> <ul style="list-style-type: none"> • Over 230 MPF funds invested in REITs 	<p>Approx. HK\$4 billion</p>

Regulatory regime of Hong Kong REITs

- **Code on Real Estate Investment Trusts (REIT Code)** – sets out authorization and ongoing requirements on REITs
 - Principles-based, balanced and pragmatic approach
 - Welcome consultation and maintain close dialogue with REIT managers and industry

- **Reference to Listing Rules**
 - Hong Kong REITs are generally regulated with reference to requirements applicable to listed companies under the Listing Rules if there are no specific requirements in the REIT Code
 - Requirements on connected party transactions and notifiable transactions are broadly aligned with the Listing Rules
 - Requirements for bookbuilding and placing activities have also been aligned with the Listing Rules in August 2022

Core requirements and regulatory focus

- Focus on **recurrent income or fee streams** and subject to full disclosure and proper risk warnings:
 - **No profit test** or market capitalisation/revenue/cash flow requirement
 - New properties with **less than 3-year track record** acceptable
 - REIT with **single property** permissible
 - **Connected party transactions** conducted at arm's length and on normal commercial terms allowed (eg. master lease entered into with REIT sponsor of hotel REITs)
 - REIT sponsor may engage in a **competing business** (eg. REIT sponsor may own other investment properties in the same area) provided proper measures are put in place

Core requirements and regulatory focus

- **No restriction on the location or type of property**
 - A wide range of acceptable real estate asset classes
 - Examples: logistics, data centres, hospitals and infrastructure properties

May invest in **infrastructure properties** if the key requirements in the REIT Code can be complied with – including:

- Properties can generate recurrent income or fee streams, e.g. highways, bridges, tunnels, power plants, telecommunication towers, etc.
- The REIT has legal and proper right / concession / mandate to operate the infrastructure properties or projects
- The REIT manager has the necessary experience, technical expertise and resources to manage them

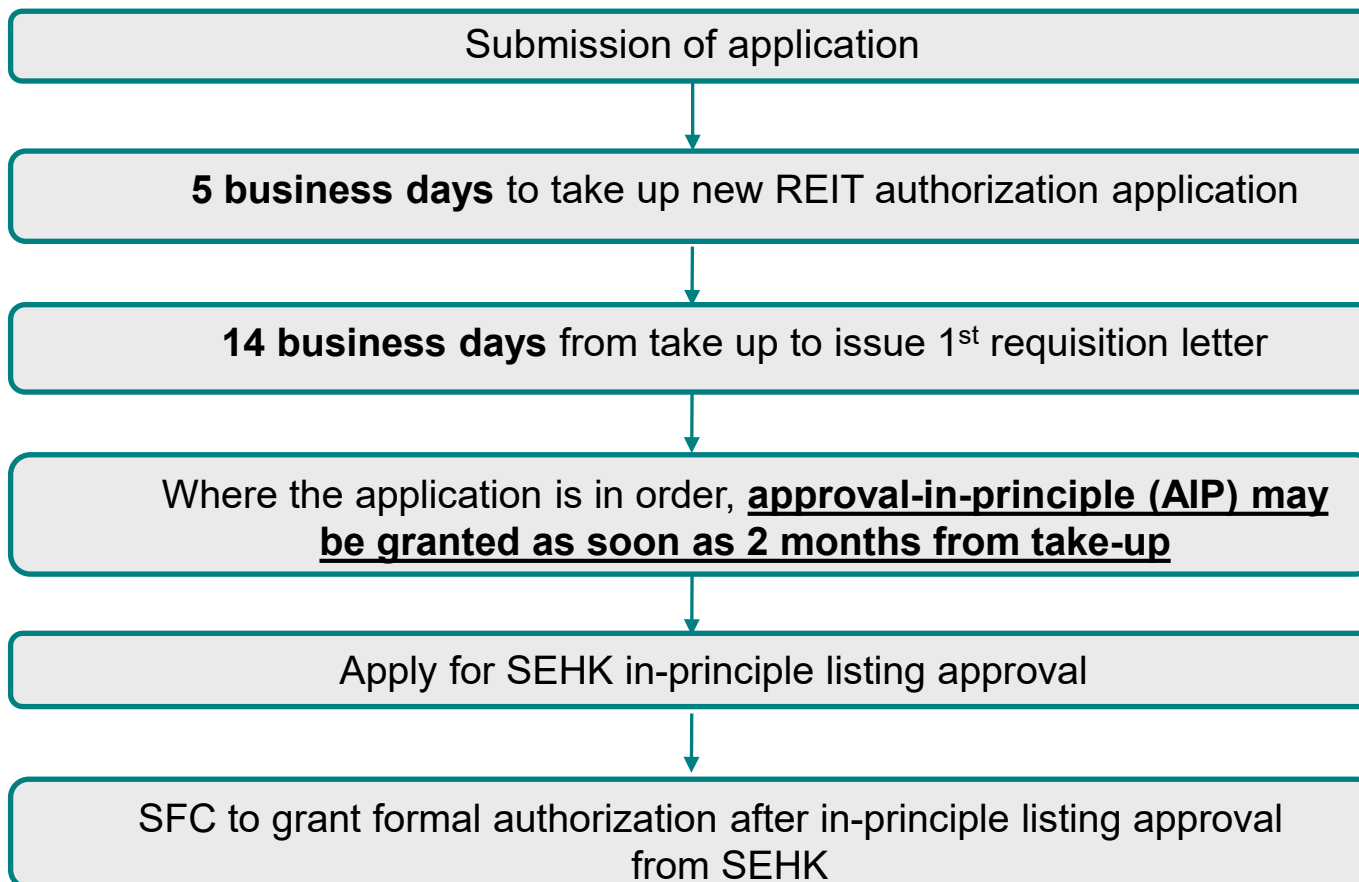
Core requirements and regulatory focus

- **Good marketable legal and beneficial title** in real estate owned by the REIT
 - Duty on REIT manager to conduct due diligence with proper legal advice
 - Properties with immaterial title issues may be acceptable subject to full disclosure and mitigation measures (with reference to Listing Rules requirements and practices)

- Must be managed by an **SFC-licensed REIT manager**
 - To expedite process, applicant may submit the profiles of responsible officer candidates to the SFC for review in advance of formal licensing application

- **Stapled structure** may be adopted
 - So long as similar governance and investor protection measures are in place and requirements in the REIT Code are complied with in substance

Transparent authorisation and listing process



Grant scheme and other recent developments

- On 24 February 2021, the Financial Secretary announced new subsidies for the coming 3 years designed to encourage the listing of REITs
- The SFC launched and opened the REIT grant scheme for applications on 10 May 2021
- The REIT grant scheme has been extended for another three years until 9 May 2027

Eligible applicants	<ul style="list-style-type: none"> • SFC-authorized REITs listed on The Stock Exchange of Hong Kong on or after 10 May 2021 with a minimum market capitalization of \$1.5 billion (or equivalent) at the time of listing
Grant amount	<ul style="list-style-type: none"> • Equivalent to 70% of the eligible expenses for each application, subject to a cap of \$5 million per REIT
Eligible expenses	<ul style="list-style-type: none"> • Must be expenses paid to Hong Kong-based service providers in relation to the listing of the REIT (e.g. Fees relating to legal services, audit, tax and accounting services, underwriting, valuation, roadshow expenses, listing agents)

Grant scheme and other recent developments

- **Mainland's launch of public infrastructure REITs**
 - More potential opportunities and connectivity in the long run

- **Qianhai Authority and the Financial Services and Treasury Bureau – 18 measures**
 - For Qianhai high-quality infrastructure projects which are listed on HKEX in the form of REITs, a one-off reward of RMB 1 million will be provided to the project owners

- **Compulsory acquisition and scheme of arrangement mechanism**
 - Legislative amendments being considered, which will facilitate M&A activities



Potential applicants are welcome to contact the SFC at
REIT-enquiry@sfc.hk or 2231 2400
on new REIT listing / investment proposals

Thank you.
www.sfc.hk