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FINANCIAL SERVICES AND  
THE TREASURY BUREAU  
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18 April 2019

Legislative Council Secretariat  
1 Legislative Council Road  
Central, Hong Kong  
(Attn: Miss Sharon LO)

Dear Miss LO,

**Follow-up to the Panel on Financial Affairs Meeting  
on 7 January 2019**

I refer to your letter and email of January 2019, enclosing the letters from the Hon AU Nok-hin and the Hon Mrs Regina IP LAU Suk-ye to follow up on the earlier discussion on “Implementation of the Securities and Futures Commission’s Code on Real Estate Investment Trusts” by the Panel on Financial Affairs. After consulting the Transport and Housing Bureau and the Securities and Futures Commission (“SFC”), our consolidated response is attached at **Annex**.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Carrie Chang', written in a cursive style.

(Carrie CHANG)

for Secretary for Financial Services and the Treasury

c.c. Secretary for Transport and Housing (Attn: Ms Jenny CHAN)  
Chief Executive Officer, SFC (Attn: Ms Fiona TSE)

**Follow-up to the Panel on Financial Affairs Meeting in January 2019  
Response from the Government and the SFC**

**Overview of Real Estate Investment Trusts in Hong Kong**

As at 10 April 2019, there were 10 SFC-authorized Real Estate Investment Trusts (“REITs”) open for trading on the Stock Exchange of Hong Kong (“SEHK”). Information on these REITs (including their company profiles) can be found on the SEHK’s website<sup>1</sup>. An extract of the company profiles of these REITs is at the Appendix.

**Background of the SFC’s amendment to the Code on Real Estate Investment Trusts in 2014**

2. Since the promulgation of the Code on Real Estate Investment Trusts (“REIT Code”) in 2003, the SFC has been keeping in view the regulatory regime for the securities and futures markets, including the REIT Code which governs REITs, to cope with the changing market environment. Subsequent to the amendments made in 2005 and 2010, the SFC reviewed the requirements under the REIT Code in 2012, having regard to local and overseas market developments. In 2013, the SFC met with various organisations and stakeholders to discuss issues pertaining to the development of the REIT market in Hong Kong, and studied the regulatory regimes in comparable overseas jurisdictions (including the United States, Australia, Singapore and Malaysia). After considering the views of different parties and findings of the study, the SFC began to work on the proposals for amending the REIT Code and the relevant public consultation paper, with a view to allowing the REITs to engage in property development activities up to a limited extent for portfolio expansion or asset enhancement purposes. In January 2014, the SFC published a consultation paper<sup>2</sup> to consult the public on the proposed amendments to the REIT Code. A total of 113 submissions were received.

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<sup>1</sup> [https://www.hkex.com.hk/Market-Data/Securities-Prices/Real-Estate-Investment-Trusts?sc\\_lang=en](https://www.hkex.com.hk/Market-Data/Securities-Prices/Real-Estate-Investment-Trusts?sc_lang=en)

<sup>2</sup> The consultation paper is available at the following website:  
<https://www.sfc.hk/edistributionWeb/gateway/EN/consultation/openFile?refNo=14CP2>

The majority of respondents agreed that the amendments would keep Hong Kong's REIT regulatory regime competitive and facilitate the long-term development of the Hong Kong REIT market.

3. As the SFC stated in the consultation paper, it noted the report released in November 2013 by the Financial Services Development Council ("FSDC")<sup>3</sup> in the course of formulating its proposed amendments. However, the amendments did not originate from the FSDC report. They were the outcome of a detailed study and extensive consultation with the industry and public by the SFC.

### **Proposed amendments to the REIT Code**

4. The SFC's statutory regulatory objectives and functions are to ensure the orderly operation and development of our securities and futures markets, and provide appropriate protection for investors investing in financial products. A REIT is an investment product. By issuing the REIT Code to regulate the REITs, the SFC aims to facilitate the development of the REIT market while safeguarding the interests of investors. The REIT Code requires the management company of a REIT to act in the best interests of the REIT's holders. This is in line with the regulatory approach for retail REITs in major overseas financial markets. A REIT may adjust and manage its investment portfolio subject to compliance with the REIT Code and its constitutive documents. These are essentially commercial decisions which the SFC is not in a position to interfere. As to the potential impacts on the community that may arise from a REIT's property disposal, these are beyond the regulatory scope of the SFC and the REIT Code.

5. Prior to the amendments to the REIT Code in 2014, a REIT was already allowed to sell its assets, and disposals actually took place. Be it prior to or after the amendments to the REIT Code in 2014, a REIT is required to act in the best interests of its holders and comply with the applicable requirements under the REIT Code when selling its assets. These include a requirement

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<sup>3</sup> Paragraph 6 of the consultation paper states that "the Commission has noted the recent research report ("FSDC Report") released by the Financial Services Development Council ("FSDC") pertaining to the development of the Hong Kong REIT market in the course of finalising the proposals in this consultation." The SFC pointed out that it was finalising the consultation paper on the amendments to the REIT Code when the FSDC Report was released.

that each real estate property must be held by a REIT for at least two years<sup>4</sup>, echoing the restriction on active trading of real estate by a REIT as specified in the REIT Code. Besides, it has been a requirement under the REIT Code since 2014 that at least 75% of a REIT's gross asset value shall be invested in real estate that generates recurrent rental income at all times, with property development costs being capped at 10% of the REIT's gross asset value. Given the above measures, the amendments to the REIT Code should not have a material effect on the modus operandi of the REITs, including their decision to sell properties.

6. The REIT Code applies to all REITs. The requirements therein and any amendments thereto cannot be tailored to an individual REIT, but should cover and cater for the development of the entire REIT market and with investor protection at its core.

7. Subsequent to the amendments to the REIT Code in 2014, eight REITs modified their trust deeds to allow for engagement in property development upon obtaining the required support from their holders. Although no new REITs were listed between 2014 and 2018, the total market value of REITs in Hong Kong grew by over 36%. According to data published by Bloomberg, six REITs recorded double-digit growth in market value.

### **Other suggestions from Members**

8. The Government and the Hong Kong Housing Authority (“HA”) have no plan to buy back the “commercial facilities in public housing” as mentioned by Members. The Government considers that buying back these properties is incompatible with public interests and the principle of prudent financial management. It is also inconsistent with the Government's policy objectives. Given the limited public resources, the Government and the HA have to prioritise and the resources will mainly be used for providing public housing.

### **Financial Services and the Treasury Bureau**

### **Transport and Housing Bureau**

### **Securities and Futures Commission**

**18 April 2019**

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<sup>4</sup> Except with the consent of the REIT's holders given by way of a special resolution. Please refer to 7.8 of the REIT Code for details.

## Brief Profile of SFC-authorized REITs

(Source: SEHK's Website

([https://www.hkex.com.hk/Market-Data/Securities-Prices/Real-Estate-Investment-Trusts?sc\\_lang=en](https://www.hkex.com.hk/Market-Data/Securities-Prices/Real-Estate-Investment-Trusts?sc_lang=en)); screen capped on 10 April 2019)

### Link Real Estate Investment Trust

#### COMPANY PROFILE

Link Real Estate Investment Trust is a Hong Kong-based real estate investment trust (REIT). It is also a constituent of the Hang Seng Index. The investment objectives of the Fund are to deliver sustainable growth and to create long-term value for its unitholders. It invests in a portfolio of properties, including retail facilities, markets, car parks and offices in Hong Kong, Beijing and Shanghai. Its investment properties include Destination Shopping Centers in Hong Kong, Community Shopping Centers in Hong Kong, EC Mall in Beijing and Corporate Avenue in Shanghai, among others. The Fund is managed by Link Asset Management Limited.

Listing Date	25 Nov 2005	Fund Manager	Link Asset Management Ltd.
Launch Date	6 Sep 2005	Outstanding	2,109,321,254 (as at 31 Mar 2019)
Original Offer Price	HK\$10.3	Units	
		Registrar	Computershare Hong Kong Investor Services Ltd.

Updated: 10 Apr 2019 09:03 HKT

Most recent annual report<sup>1</sup>:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0621/LTN20180621500.pdf>

<sup>1</sup> The asset portfolios of the SFC-authorized REITs can also be found in their annual reports.

# Fortune Real Estate Investment Trust

## COMPANY PROFILE

Fortune Real Estate Investment Trust (Fortune REIT) is a real estate investment trust. The principal activity of Fortune REIT is investment holding. The Company, through its subsidiaries owns and invests in a portfolio of retail shopping malls located in Hong Kong. It holds a portfolio of approximately 20 private housing estate retail properties in Hong Kong consisting of approximately three million square feet of retail space and 2,710 car parking spaces. Its retail properties include Fortune City One, Fortune Kingswood, Fortune Metropolis, Ma On Shan Plaza, Metro Town, Laguna Plaza, Waldorf Avenue, Caribbean Square, Jubilee Square, Belvedere Square, Smartland, Lido Avenue, Provident Square, Centre de Laguna and Hampton Loft. It house tenants from various trade sectors, such as supermarkets, food and beverage outlets, banks, real estate agencies and education providers. It is managed by ARA Asset Management (Fortune) Limited, which is a subsidiary of ARA Asset Management Limited.

Listing Date	20 Apr 2010	Fund Manager	ARA Asset Management (Fortune) Ltd.
Launch Date	4 Jul 2003	Outstanding	1,930,988,000 (as at 1 Apr 2019)
Original Offer Price	-	Units	
		Registrar	Computershare Hong Kong Investor Services Ltd.

Updated: 10 Apr 2019 09:03 HKT

Most recent annual report:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0319/LTN20190319630.pdf>

# Champion Real Estate Investment Trust

## COMPANY PROFILE

Champion Real Estate Investment Trust (REIT) is a Hong Kong-based REIT. The key objective of the REIT is to provide investors with stable and sustainable distributions and to achieve long-term capital growth. The REIT mainly invests in office buildings and retail properties which produce rental income. It focuses on Grade-A commercial properties in prime locations. It owns Citibank Plaza, Langham Place Office and Langham Place Mall on each sides of Victoria Harbor. The REIT is managed by Eagle Asset Management (CP) Limited.

Listing Date	24 May 2006	Fund Manager	Eagle Asset Management (CP) Ltd.
Launch Date	26 Apr 2006	Outstanding	5,858,503,599 (as at 31 Mar 2019)
Original Offer Price	HK\$5.1	Units	
		Registrar	Computershare Hong Kong Investor Services Ltd.

Updated: 10 Apr 2019 09:36 HKI

Most recent annual report:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0321/LTN20190321249.PDF>

# Hui Xian Real Estate Investment Trust

## COMPANY PROFILE

Hui Xian Real Estate Investment Trust is a Hong Kong-based real estate investment trust (REIT). The objectives of the REIT are to produce stable and sustainable distributions to unitholders and to achieve long-term growth in the net asset value per unit by owning and investing in commercial properties. It operates through five segments. The Malls segment rents the shopping mall and car parking spaces in Oriental Plaza in Beijing. The Tower Offices segment rents office buildings in Oriental Plaza in Beijing. The Tower Apartments segment operates serviced apartment towers in Oriental Plaza in Beijing. The Hotels segment operates Grand Hyatt Beijing in Beijing and Sofitel Shenyang Lido in Shenyang. The Chongqing Property segment rents the shopping mall, car parking spaces and offices in Metropolitan Oriental Plaza in Chongqing. The REIT is managed by Hui Xian Asset Management Limited.

Listing Date	29 Apr 2011	Fund Manager	Hui Xian Asset Management Ltd.
Launch Date	1 Apr 2011	Outstanding	5,757,337,072 (as at 31 Mar 2019)
Original Offer Price	RMB5.24	Units	
		Registrar	Computershare Hong Kong Investor Services Ltd.

Updated: 10 Apr 2019 09:36 HKT

Most recent annual report:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0413/LTN20180413687.pdf>



# Sunlight Real Estate Investment Trust

## COMPANY PROFILE

Sunlight Real Estate Investment Trust (REIT) is a Hong Kong-based REIT. The objective of the REIT is to provide unitholders with regular and stable cash distributions with the potential for sustainable long-term growth and enhancement in value of the property portfolio. Its investment portfolio includes 10 offices and six retail properties in Hong Kong, such as Sunlight Tower, Bonham Trade Center, Sheung Shui Center Shopping Arcade and Beverley Commercial Center Property. The office properties are primarily located in core business areas, including Central, Wan Chai and Sheung Wan, as well as in decentralized business areas, such as Mong Kok and North Point. The retail properties are primarily located in regional transportation hubs and new towns including Sheung Shui, Tseung Kwan O and Yuen Long, as well as in urban areas with high population density. The REIT is managed by Henderson Sunlight Asset Management Limited.

Listing Date	21 Dec 2006	Fund Manager	Henderson Sunlight Asset Management Ltd.
Launch Date	26 May 2006	Outstanding	1,647,139,077 (as at 31 Mar 2019)
Original Offer Price	HK\$2.6	Units	
		Registrar	Tricor Investor Services Ltd.

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Most recent annual report:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0919/LTN20180919504.pdf>

# Yuexiu Real Estate Investment Trust

## COMPANY PROFILE

YUEXIU REAL ESTATE INVESTMENT TRUST is a Hong Kong-based real estate investment trust (REIT). The investment objective of the REIT is to achieve steady rental income through investing in office buildings, retailing malls and hotel and serviced apartments, for maintaining and enhancing property value. It invests in six commercial properties located in Guangzhou and one commercial property in Shanghai, including White Horse Building, Fortune Plaza, City Development Plaza, Victory Plaza, Neo Metropolis, Guangzhou International Financial Center and Yue Xiu Tower. The REIT is managed by Yuexiu REIT Asset Management Limited.

Listing Date	21 Dec 2005	Fund Manager	Yuexiu REIT Asset Management Ltd.
Launch Date	7 Dec 2005	Outstanding	3,119,618,222 (as at 31 Mar 2019)
Original Offer Price	HK\$3.075	Units	
		Registrar	Tricor Investor Services Ltd.

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Most recent annual report:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0416/LTN20180416779.pdf>

# Prosperity Real Estate Investment Trust

## COMPANY PROFILE

Prosperity Real Estate Investment Trust (REIT) is a Hong Kong-based REIT. The objectives of the REIT are to produce stable and sustainable distributions to unitholders and to achieve long-term growth in the net asset value per unit, by investing in commercial properties portfolio in Hong Kong. The REIT owns high-quality offices, commercial properties, industrial and office properties and industrial properties in the decentralized business districts of Hong Kong. Its investment portfolio includes The Metropolis Tower, Prosperity Place, Trendy Center, New Treasure Center, Prosperity Millennia Plaza, Harbourfront Landmark and Prosperity Center. The REIT is managed by ARA Asset Management (Prosperity) Limited.

<b>Listing Date</b>	16 Dec 2005	<b>Fund Manager</b>	ARA Asset Management (Prosperity) Ltd.
<b>Launch Date</b>	29 Nov 2005	<b>Outstanding Units</b>	1,490,179,376 (as at 31 Mar 2019)
<b>Original Offer Price</b>	HK\$2.16	<b>Registrar</b>	Computershare Hong Kong Investor Services Ltd.

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Most recent annual report:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0409/LTN20190409415.pdf>

# Spring Real Estate Investment Trust

## COMPANY PROFILE

Spring Real Estate Investment Trust (Spring REIT) is a real estate investment trust. Its investment objective is to provide unitholders with stable distributions and the potential for sustainable long-term growth in distributions and enhancement in the value of the real estate assets. Its portfolio includes all of the office floors of Office Tower 1 and Office Tower 2 in China Central Place, as well as approximately 600 car parking spaces in the underground levels of the two office buildings. Spring REIT is managed by Spring Asset Management Limited.

<b>Listing Date</b>	5 Dec 2013	<b>Fund Manager</b>	Spring Asset Management Limited
<b>Launch Date</b>	14 Nov 2013	<b>Outstanding</b>	1,275,637,698 (as at 28 Mar 2019)
<b>Original Offer Price</b>	HK\$3.81	<b>Units</b>	
		<b>Registrar</b>	Computershare Hong Kong Investor Services Ltd.

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Most recent annual report:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0420/LTN20180420465.pdf>

# Regal Real Estate Investment Trust

## COMPANY PROFILE

Regal Real Estate Investment Trust is a Hong Kong-based real estate investment trust (REIT). The primary objectives of the REIT and the REIT Manager are to provide long-term, stable, growing distributions and capital growth for the unitholders of the REIT through active ownership of hotels and strategic investment in hotels, serviced apartments and commercial properties. The REIT mainly operates through two segments. The Hotel Properties segment is engaged in the investment in the Initial Hotels, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel. The Mixed Use Property segment is engaged in the investment in the hotel portions and non-hotel portions of the iclub Wan Chai Hotel. The REIT is managed by Regal Portfolio Management Limited.

<b>Listing Date</b>	30 Mar 2007	<b>Fund Manager</b>	Regal Portfolio Management Ltd.
<b>Launch Date</b>	11 Dec 2006	<b>Outstanding</b>	3,257,431,189 (as at 31 Mar 2019)
<b>Original Offer Price</b>	HK\$2.68	<b>Units</b>	
		<b>Registrar</b>	Computershare Hong Kong Investor Services Ltd.

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Most recent annual report:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0411/LTN20190411490.pdf>

# New Century Real Estate Investment Trust

## COMPANY PROFILE

New Century Real Estate Investment Trust is a Hong Kong-based real estate investment trust (REIT). Its investment objective is to deliver regular and stable distributions to Unitholders and to achieve long-term growth in the net asset value per unit, through the investment in a portfolio of real estate assets, including retail and commercial properties and hotels or other hospitality-related properties. Its investment portfolio includes six five-star hotels and one four-star hotel, including New Century Grand Hotel Hangzhou, New Century Resort Qiandao Lake Hangzhou, New Century Grand Hotel Ningbo, New Century Grand Hotel Changchun, Songjiang New Century Grand Hotel Shanghai, New Century Grand Hotel Kaifeng and New Century Hotel Xiaoshan Zhejiang. The REIT is managed by New Century Asset Management Limited.

Listing Date	10 Jul 2013	Fund Manager	New Century Asset Management Limited
Launch Date	10 Jun 2013	Outstanding Units	962,464,398 (as at 31 Mar 2019)
Original Offer Price	-	Registrar	Tricor Investor Services Ltd.

Updated: 10 Apr 2019 09:36 HKT

Most recent annual report:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN20180427622.pdf>