

China Publicly-listed Infrastructure Real Estate Investment Trusts ("China REITs")

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▶ INTRODUCTION

Professional Experience

- Represented major developers, international investment banks, corporations, and private equity funds in a variety of merger and acquisition transactions;
- Advised major developers as legal counsel on their various matters;
- Represented major financial corporations in their providing finance for real property developers;
- Involved in a number of domestic and global share offerings, including major initial public offerings (IPOs) and Hong Kong dual-listings;
- Represented clients before a variety of courts for settlement of commercial disputes;
- Mr. Li began to practice law in 1998 and ever since then his practice has mainly involved in real estate and construction.

Education

- LL.M, Pennsylvania University Law School, 2013
- LL.B, Peking University Law School, 1997



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▶ 1. IN BRIEF

China REITs Are Coming



▶ 2. MAIN PROGRESS



01

On 30 Apr. 2020 NDRC and CSRC jointly issued the "Circular to Promote the Relevant Work for Real Estate Investment Trusts in the Infrastructure Sector Pilot Scheme ", officially launching the infrastructure REITs public offering pilot



02

On 31 July 2020 NDRC issued the "Circular on the Declaration of REITs in the Infrastructure Sector Pilot Scheme



03

On 6 Aug. 2020 CSRC issued "Guidelines on Public Offering of Infrastructure Securities Investment Fund (Trial) ", officially establishing the C-REITs regime



04

On Jan. 2021 SSE and SZSE issued supporting rules on C-REITs



05

On Feb. 2021 AMAC issued guidelines on due diligence and operation of REITs

▶ 3. FEATURES OF C-REITs



The scope of C-REITs limited to infrastructure assets



Over 80% of REITs assets invested in a single ABS managed by the same manager or its related company

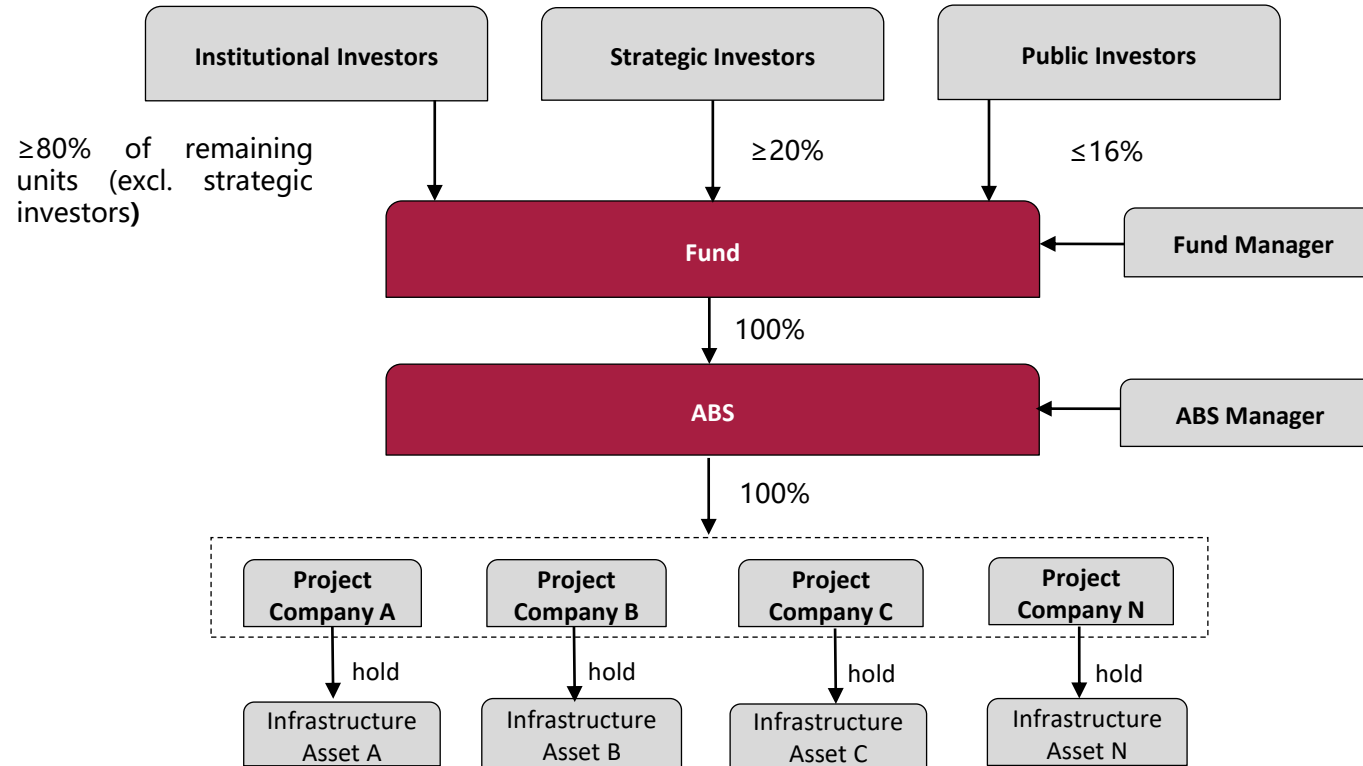


Closed-end mutual fund distributing at least 90 percent of its distributable profits, with a minimum offering size of RMB 200 million or with at least 1,000 investors



The original owner to hold 20% interest in the C-REIT for at least five years

▶ 4. TYPICAL STRUCTURE



► 5. COMPARISON TO OTHER REITs

	C-REITs	HK REITs	Singapore REITs
Structure	Fund+ABS	Unit Trust	Unit Trust
Underlying Assets	At least 80% invested in infrastructure projects that generate recurrent and stable income with at least 3 years operations	At least 75% invested in income-generating real estate	At least 75% invested in income-generating real estate
Minimum Offering Size	At least RMB200 million	Not prescribed	At least S\$300 million
Retained Ownership by Originator / Sponsor	20% of the REIT for at least 5 years after listing. Any holding in excess of 20% is locked up for 3 years	Not prescribed	Not prescribed
Distribution	At least 90% of the audited annual distributable amount shall be distributed each year	At least 90% of the audited annual net income after tax shall be distributed each year	At least 90% of the specified taxable income shall be distributed each year to qualify for tax transparency treatment
Borrowing Limit	REIT's total assets ≤ 140% of REIT's net assets and for project maintenance, reconstruction and acquisition purposes only, with the borrowings for acquisition assets ≤ 20%	50% of gross asset value	50% of the deposited (subject to a minimum interest coverage ratio of 2.5 times with effect from 1 January 2022)
Public Offering	Yes	Yes	Yes
Geographical Restrictions	Preferred Locations	None	None

▶ 6. REQUIREMENTS

01



Preferred Locations

- The Beijing-Tianjin-Hebei Area, Yangtze River Economic Belt, Xiong' an New Area, Greater Bay Area, Hainan, and the Yangtze River Delta
- State-level areas and economic and technological development zones

02



Permitted Investments

- (i) warehousing and logistics; (ii) toll roads, ports and airports; (iii) public utilities; (iv) waste treatment facilities; (v) information network facilities; (vi) data centers and communication towers; and (vii) high-tech industrial parks and specialized industrial parks
- Residential and commercial properties excluded

03



Preferred Projects

- Income-generating infrastructure projects having been operating for at least three years
- The underlying asset' s estimated net cash flow distribution rate exceed 4% in each of the following three years
- Free from all encumbrances except those can be removed after the establishment of the fund

▶ 7. PROCEDURE



The sponsor shall submit application to local NDRC and the local NDRC shall recommend qualified projects to NDRC



The NDRC shall recommend qualified ones to the CSRC



Fund registration and filing with CRSC



SSE/SZSZ review applications and grant approval



ABS registration with AMAC



Public offering and listing

▶ 8. PRICING



Pricing Method

- Inquiry to institutional investors
- Subscription price determined according to the median and weighted average, combined with the quotation of investors



Institutional Investors

- Securities companies
- Fund management companies
- Trust companies
- Finance companies
- Insurance companies
- Qualified foreign investors
- Qualified private fund managers
- Commercial banks and their financial management subsidiaries
- National Social Security Fund
- Basic endowment insurance fund
- Annuity fund

▶ 9. ALLOTMENT



01

- Sponsor



02

- Institutional Investors



03

- Public Investors



▶ 10.USE OF TRANSFER PROCEEDS



- More than 80% of the transfer proceeds to be reinvested in the construction of new infrastructure projects



- The proceeds to be invested in the form of capital



- Proceeds allowed to be used across regions and industries

▶ 11. MANAGEMENT



01

- The fund manager shall operate and manage the underlying asset(s).

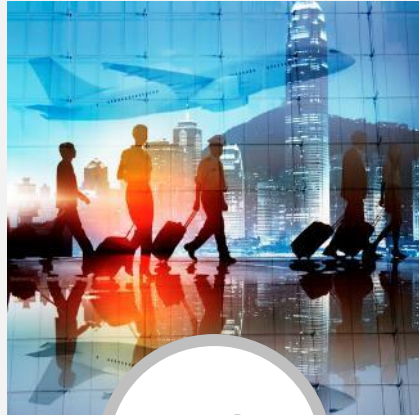


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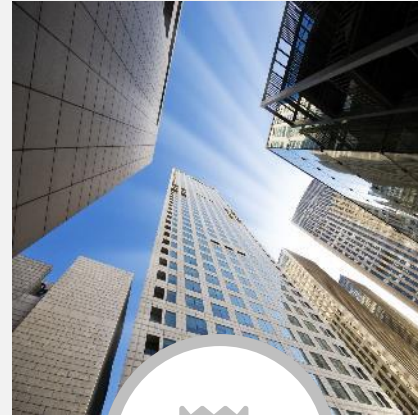
- The fund manager may set up a special subsidiary to undertake the operation and management responsibilities
- The fund manager may entrust an external manager to take charge of some of the operation and management responsibilities



▶ 12. TAXATION



- No preferential tax treatment



- Tax to be incurred during reorganization

Thank You!

J U N H E L L P



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