



# SF REAL ESTATE INVESTMENT TRUST 順豐房地產投資信託基金

(a collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

Stock Code : 2191



## ANNUAL REPORT 2021



## About SF REIT

SF REIT (stock code: 2191) is the first logistics properties focused REIT listed on the Main Board of the Hong Kong Stock Exchange on 17 May 2021. It is a collective investment scheme authorised by the SFC and constituted by the Trust Deed.

The investment focus of SF REIT shall be income-generating real estate globally, with an initial focus on logistics properties. SF REIT's portfolio currently comprises three properties in Tsing Yi, Hong Kong as well as Foshan and Wuhu, Mainland China. All these three properties are modern logistics properties strategically located within the key logistics hubs in Hong Kong and Mainland China, and had an aggregate GLA of approximately 307,655 sq.m. with an appraised value of HK\$6,541.8 million as at 31 December 2021.

## About REIT Manager

SF REIT is managed by the REIT Manager (namely, SF REIT Asset Management Limited), whose main responsibility is to manage SF REIT and all its assets in accordance with the Trust Deed and in the sole interest of the Unitholders.

## About SFH

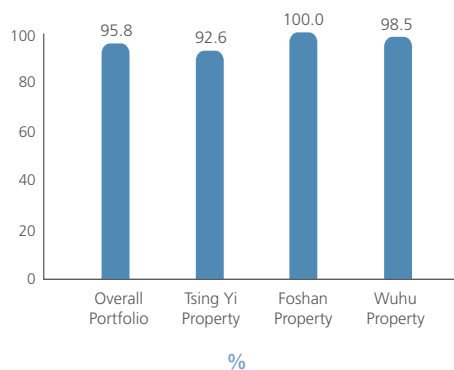
SFH, a company established in PRC and whose shares are listed on the Shenzhen Stock Exchange, is the sponsor and a controlling unitholder of SF REIT. SFH is a leading integrated logistics services provider in PRC with comprehensive business segments covering freight, cold chain, international and intra-city services, cross-border logistics and supply chain management.

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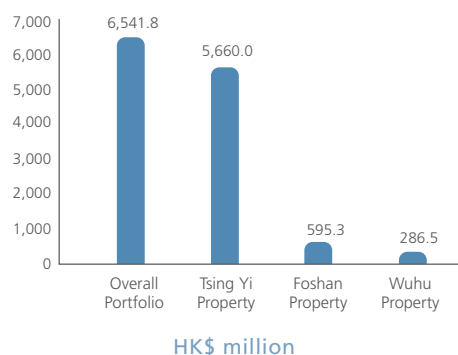
# Performance Highlights

## Occupancy Rate



As at 31 December 2021

## Property Valuation



As at 31 December 2021

## Gearing Ratio



# 30.6%

As at 31 December 2021

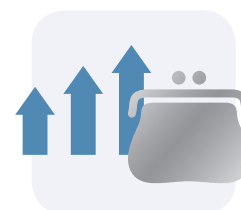
## Net Assets



# HK\$4,091.7 million

As at 31 December 2021

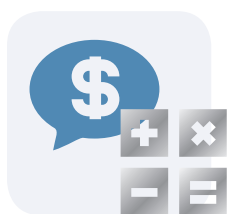
## Net Assets Per Unit



# HK\$5.11

As at 31 December 2021

## Revenue



# HK\$244.3 million

From 29 April 2021 (Date of Establishment) to 31 December 2021

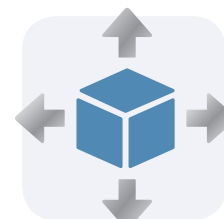
## Net Property Income



# HK\$194.9 million

From 29 April 2021 (Date of Establishment) to 31 December 2021

## Distribution Per Unit



# HK 17.24 cents

From 17 May 2021 (Listing Date) to 31 December 2021

# Chairman's Statement



Dear Unitholders,

On behalf of the Board of the REIT Manager, as the manager of SF REIT, I am pleased to present the first annual report of SF REIT for the Reporting Period (i.e. the period from 29 April 2021 (date of establishment of SF REIT) to 31 December 2021).

## Successful Listing – a Strategic Milestone

SF REIT was successfully listed on the Main Board of the Hong Kong Stock Exchange on 17 May 2021 and was the first logistics properties focused REIT listed in Hong Kong. The listing of SF REIT marked an important strategic milestone for both SF REIT and SFH. It was the first REIT sponsored by SFH for listing on the

Hong Kong Stock Exchange, a major international financial market, and the initial public offering was well received by the market attracting interests from both domestic and international investors. Following the listing, SFH continues to hold a 35% unitholding interest in SF REIT.

The business of the SFH Group continues to expand rapidly and will require more logistics properties as a solid foundation to support its growth. SF REIT is an important part of SFH's overall long-term development strategy as the former serves as a platform for it to recycle its capital to support its high growth business development. Such source of capital enables the SFH Group to maintain competitiveness by continuously investing in the logistics infrastructure, which in return can provide more modern logistics properties acquisition opportunities to SF REIT in Mainland China and other overseas countries as the SFH Group expands further.

## Stable Operation and Financial Performance

The COVID-19 pandemic has caused unprecedented macroeconomic volatility which has hard hit on various parts of the global economy. Nevertheless, despite its impact on the overall economy and in supply chain, demand for logistics services has remained strong, thereby resulting in strong demand for logistics properties. The outbreak of the COVID-19 pandemic has also accelerated structural changes in consumers' spending habits and retailers' supply chain management, causing retailers and suppliers to modernise and improve their logistics facilities and capabilities in response to these changes.

During the Reporting Period, individual properties within the portfolio of SF REIT demonstrated stable performance and overall occupancy of the three properties in the portfolio was maintained at 95.8% thanks to the support from the SFH Group which occupied 80.0% of the GLA in the portfolio as well as continuous support from independent tenants.

Total revenue of SF REIT for the Reporting Period was HK\$244.3 million and with diligent cost control, property operating expenses was controlled at HK\$49.4 million, resulting in a net property income of HK\$194.9 million.

# Chairman's Statement

## Distribution

As stated in the Offering Circular, the first distribution of SF REIT after listing would consist of distributable income for the period from 17 May 2021 (Listing Date) to 30 June 2021 (amounted to HK\$26.7 million) and the distributable income for the period from 1 July 2021 to 31 December 2021 (amounted to HK\$111.2 million). Accordingly, the total distributable income for the Relevant Period (i.e. from 17 May 2021 (Listing Date) to 31 December 2021) amounted to HK\$137.9 million, meeting the forecast in the Offering Circular. The Board has declared a distribution per unit of HK\$17.24 cents for the Relevant Period, which implies a pay-out ratio of 100% and represents an annualised distribution yield of 7.9% based on the closing unit price of HK\$3.48 on 31 December 2021.

## Outlook and Strategy

Looking forward into 2022, the ongoing pandemic together with tightening monetary policy, interest rate hikes and rising geo-political conflicts continue to pose uncertainties to the global economy. Nevertheless, potentially re-opening of borders as global vaccination rate improves and/or broader population immunity can return economic activities to relatively normal levels. SF REIT will adopt a prudent approach in its expansion.

SF REIT is expected to maintain stable operation by working with the SFH Group tenants and other high-quality tenants in the portfolio to reduce volatility in income. On the other hand, it will continue to implement diligent control over cost and expenses without sacrificing service quality and maintain the properties at high standard.

Adjustment in stock market after the listing has affected the unit price performance of SF REIT but we are confident of the long-term sustainable growth of SF REIT. The key growth driver shall mainly derive through yield accretive acquisitions of modern logistics properties from the SFH Group under a right of first refusal. In 2022, the REIT Manager will work closely with the SFH Group in this strategy and focus on properties with stable income stream supported by the SFH Group as a major tenant in different cities across Mainland China to expand SF REIT's portfolio.

## Appreciation

Finally, I would like to take this opportunity to express my heartfelt gratitude to all staff of the REIT Manager as well as investors, business partners and other stakeholders of SF REIT for the support and confidence rendered to us.

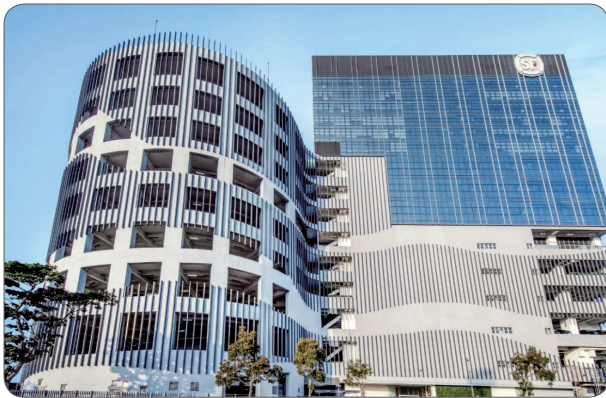
**WANG Wei**  
Chairman

17 March 2022

# Management Discussion and Analysis

## Market Review

In 2021, with the successful roll-out of vaccination programmes, major economies around the world began gradual uplift of lockdown restrictions and made great progress towards recovery. However, the advent of different variants of COVID-19 disrupted the recovery pace and geo-political concerns continued to affect sentiments. In Mainland China, disruptions from sporadic outbreaks of COVID-19, interruptions to industrial production, power outages, protracted financial stress among property developers and continuing Sino-US tensions all contributed to a slowdown in the second-half of 2021.



Tsing Yi Property



Tsing Yi Property – Entrance

Despite the above, the logistics industry in Mainland China continued to develop, and total social logistics amount in 2021 grew by 9.2%. In 2021, the prosperity index of logistics industry in Mainland China (which provides an early indication of logistics activities in the Chinese logistics sector) recorded a positive rate of 53.4% and grew by 1.7 percentage point year-on-year. Overall, the demand for modern logistics facilities in Mainland China remained strong with active leasing transactions. Continuous demand driven by expansion of e-commerce and third party logistics were supplemented by growing demand from cold chain and medical supplies industries. Even with ample new supply, overall vacancy rate in major logistics markets across the country remained stable thanks to strong rental demand.

## Management Discussion and Analysis

In Hong Kong, the economy grew by 6.4% in 2021 despite weakened activity as anti-coronavirus controls tightened thanks to strong export performance and improved private consumption as consumers channeled their spending to the local market. The advance of e-commerce technologies and new online sales channels facilitated the growing popularity of online shopping and the gradual recovery of local business confidence which helped stabilise the performance of local logistics sector. Rental of modern logistics facilities in the fourth quarter of 2021 continued to rebound with vacancy rates remaining at a relatively stable level. Leasing activity levels were mainly driven by recovery of local trading and retail sectors as well as stabilisation of air cargo/container throughputs. Major supply of modern logistics properties for 2022 has been reportedly pre-committed, removing major market overhang.



Tsing Yi Property – Ramp Access



Tsing Yi Property – Solar Panel at Rooftop

## Operations Review

Our portfolio comprises three modern logistics properties strategically located in Tsing Yi, Hong Kong as well as Foshan and Wuhu, Mainland China. These three properties are all within key logistics hubs which were initially developed to support the logistics operations of members of the SFH Group. The Tsing Yi Property is a multi-tenants property while the majority of the Wuhu Property is occupied by the SFH Group and the Foshan Property is a built-to-suit property leased almost entirely to the SFH Group.



## Management Discussion and Analysis

### Summary of Operating Data

Property	GLA	Occupancy	Occupancy	% of GLA	Number of tenants	WALE
	(sq.m.)	as at	as at	occupied by	as at	(by GLA)
	as at	as at	as at	the SFH Group	as at	as at
	31 December 2021	30 June 2021	31 December 2021	31 December 2021	31 December 2021	31 December 2021
Tsing Yi Property	160,322	92.6%	92.6%	65.9%	8 (2 from the SFH Group)	3.9 years
Foshan Property	84,951	100.0%	100.0%	99.9%	2 (1 from the SFH Group)	4.3 years
Wuhu Property	62,382	97.9%	98.5%	89.1%	22 (2 from the SFH Group)	4.0 years
<b>Total</b>	<b>307,655</b>	<b>95.7%</b>	<b>95.8%</b>	<b>80.0%</b>	<b>32 (5 from the SFH Group)</b>	<b>4.1 years</b>

As at 31 December 2021, the average occupancy rate of the portfolio was 95.8% (30 June 2021: 95.7%) with a WALE of 4.1 years by GLA. The SFH Group tenants occupied 80.0% of the GLA as at 31 December 2021 and contributed 76.6% of the total revenue for the Reporting Period. All the then subsisting leases with the SFH Group tenants were renewed in May 2021, prior to the listing of SF REIT, for a term of five years. This provided a solid base and a high degree of income stability for SF REIT.

During the Reporting Period, overall economic activities were severely disrupted by the pandemic but demand for logistics services remained strong. By adopting a proactive asset management strategy, we were able to deliver stable occupancy and revenue through working closely with our tenants to understand and facilitate their business expansion plans to adapt to the evolving industry trends.

As at 31 December 2021, the Tsing Yi Property had an occupancy rate of 92.6% (30 June 2021: 92.6%) with 65.9% of the GLA leased to the SFH Group tenants. Other third party tenants included companies from freight forwarding, consumer products and food supply sectors. This property had a WALE of 3.9 years by GLA as at 31 December 2021.

## Management Discussion and Analysis

The continued recovery of the trading and retail sectors in Hong Kong propelled sustainable growth in the local logistics sector and operators were keen to either renew or expand. Through our proactive asset management efforts and close working relationships with our tenants, they were able to continue and expand their operations in our facilities. As of the date of this report, all the expiring leases in year 2022 (9,887.5 sq.m. or approximately 6.2% of GLA) of the Tsing Yi Property have been renewed or taken up by existing or new tenants which, together with new leases entered for warehouses, have improved the occupancy to 97.3% on a committed basis.

The Foshan Property is “built-to-suit” and occupied almost entirely by the SFH Group to operate as a regional hub to support its express delivery services in the Guangdong Province. Large capital expenditure was spent to install parcel sorting machinery as part of the SFH Group’s efforts to develop intelligent logistics with sustainability at its core to meet future targets. This property had an occupancy rate of 100.0% (30 June 2021: 100.0%) and a WALE of 4.3 years by GLA as at 31 December 2021.



Foshan Property



Foshan Property

As at 31 December 2021, the Wuhu Property had an occupancy rate of 98.5% (30 June 2021: 97.9%) with 89.1% of the GLA leased to various business units of the SFH Group including express delivery, freight forwarding and contract logistics. Other major third party tenants included companies from e-commerce, third party logistics operators and freight forwarding industry. This property had a WALE of 4.0 years by GLA as at 31 December 2021.

### Financial Review

This is the first set of final results prepared by SF REIT since the Date of Establishment. Therefore, no year-on-year financial comparison is available.

### Operating Results

Demand for logistics services remained strong during the Reporting Period supporting demand for logistics properties. Operating performance of our portfolio was stable and supported by the SFH Group occupying 80.0% of the GLA of the overall portfolio. The proactive asset management strategy focusing on stable occupancy and rental rates also contributed to the overall performance of SF REIT during the Reporting Period.



Wuhu Property



Wuhu Property

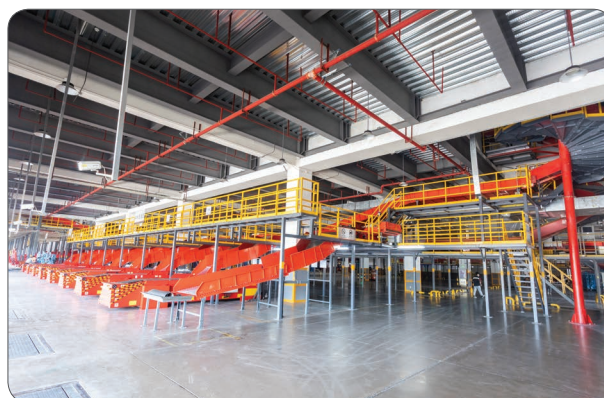
For the Reporting Period, SF REIT recorded a revenue of HK\$244.3 million, which is 3.3% higher than the forecast in the Offering Circular. The Tsing Yi Property contributed HK\$191.6 million (78.4% of the total revenue) and the Foshan Property and the Wuhu Property contributed HK\$36.8 million and HK\$15.9 million respectively. After deducting property operating expenses of HK\$49.4 million, net property income came in at HK\$194.9 million. The total distributable income for the Relevant Period was HK\$137.9 million which is the same as the forecast in the Offering Circular.

## Management Discussion and Analysis

### Distribution Policy and Distribution

Under the REIT Code and the Trust Deed, SF REIT is required to distribute to the Unitholders not less than 90% of the total distributable income (which is the audited profit for the period before transactions with Unitholders subject to certain adjustments as defined in the Trust Deed). As disclosed in the Offering Circular, the REIT Manager intended to adopt a 100% distribution policy for the first distribution after listing. Accordingly, the Board has resolved to declare a distribution per unit of HK\$17.24 cents for the Relevant Period which represents a 100% pay-out of the total distributable income of HK\$137.9 million recorded for the Relevant Period.

This first distribution covers the Relevant Period (i.e. the period from 17 May 2021 (Listing Date) to 31 December 2021) and represents a distribution yield of 7.9% on an annualised basis based on the closing unit price of HK\$3.48 on 31 December 2021. This first distribution will be paid on Friday, 6 May 2022 to those Unitholders whose names appear on the register of Unitholders of SF REIT on Wednesday, 6 April 2022.



Automatic sorting and supply chain support facilities

### Financial Position

As at 31 December 2021, total assets were HK\$7,009.6 million, comprising investment properties of HK\$6,541.8 million, cash and cash equivalents of HK\$397.5 million and other assets of HK\$70.3 million. Total liabilities amounted to HK\$2,917.9 million, including borrowings of HK\$2,141.5 million, amounts due to related companies of HK\$87.7 million and deferred tax and other liabilities of HK\$688.7 million. Net assets per unit was HK\$5.11.

As at 31 December 2021, the gearing ratio (defined as a percentage of total borrowings over total assets) of SF REIT was 30.6%.

## Management Discussion and Analysis

### Portfolio Valuation

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the principal valuer of SF REIT, valued the properties using the income capitalisation approach (reference to market comparables). As at 31 December 2021, the appraised value of SF REIT's portfolio was HK\$6,541.8 million (30 June 2021: HK\$6,446.0 million), representing an increase of 1.5% from that as at 30 June 2021. The valuation of the Tsing Yi Property as at 31 December 2021 remained stable and was recorded at HK\$5,660.0 million (30 June 2021: HK\$5,602.0 million) given stable performance during the Reporting Period. As at 31 December 2021, the valuations of the Foshan Property and the Wuhu Property were HK\$595.3 million (30 June 2021: HK\$563.4 million) and HK\$286.5 million (30 June 2021: HK\$280.6 million) respectively. Apart from benefiting from the increase in RMB/HKD exchange rate to these two properties in Mainland China, the increase in valuation of the Foshan Property was also due to the slight compression of the capitalisation rate and small increase in market rent applied in valuation reflecting recent market transaction values.

### Summary of Portfolio Valuation

	Appraised value as at 31 December 2021		Appraised value as at 30 June 2021		HoH changes in HK\$	HoH changes in local currency	Capitalisation rate	Lease/ land use right
<b>Hong Kong</b>								
	HK\$' million		HK\$' million		%	%	%	
Tsing Yi Property	5,660.0		5,602.0		1.0	1.0	4.40	50 years till 2061
<b>Sub-total</b>	<b>5,660.0</b>		<b>5,602.0</b>		<b>1.0</b>	<b>1.0</b>		
<b>Mainland China</b>								
	HK\$' million	RMB million	HK\$' million	RMB million	%	%	%	
Foshan Property	595.3	486.4	563.4	469.1	5.6	3.7	5.25	50 years till 2049
Wuhu Property	286.5	234.1	280.6	233.6	2.1	0.2	5.50	50 years till 2066
<b>Sub-total</b>	<b>881.8</b>	<b>720.5</b>	<b>844.0</b>	<b>702.7</b>	<b>4.5</b>	<b>2.5</b>		
<b>Total</b>	<b>6,541.8</b>		<b>6,446.0</b>		<b>1.5</b>			

# Management Discussion and Analysis

## Capital Management

The banking facilities of SF REIT currently include:

- (i) a five-year committed term loan facility for a principal amount up to HK\$2,159 million (the “**Term Loan**”) at interest rate of HIBOR plus 1.10% per annum maturing in May 2026 and an uncommitted one-year revolving loan facility for a principal amount up to HK\$250 million at interest rate of HIBOR plus 0.85% per annum (the “**Revolving Loan**”, and together with the Term Loan, collectively the “**Offshore Loans**”). The Offshore Loans are secured by the Tsing Yi Property and its rental collection account; and
- (ii) two five-year term loan facilities for principal amounts up to RMB120 million and RMB100 million respectively at interest rate of 5.5% per annum maturing in April 2026 (each an “**Onshore Loan**”, and collectively the “**Onshore Loans**”). The Onshore Loans are secured by the Foshan Property and the rental collection accounts of both the Foshan Property and the Wuhu Property.

As at 31 December 2021, HK\$1,900 million of the Term Loan was drawn. Subsequent to the end of the Reporting Period, the availability period of the remaining HK\$259 million of the Term Loan had been extended up to April 2022 which may be used to fund potential acquisition should opportunities arise. The Revolving Loan was not utilised during the Reporting Period and RMB6.2 million of the Onshore Loans remained undrawn and available as at 31 December 2021.

The outstanding amount of the Offshore Loans of HK\$1,897.1 million (equivalent to approximately 88.6% of SF REIT’s total borrowings) is on floating interest rates which will be affected by potential increases in interest rates. Subsequent to the end of the Reporting Period, we have entered into interest rate swaps to hedge approximately 47.4% of the above-mentioned outstanding amount of the Offshore Loans to mitigate the impact of interest rate volatility. The REIT Manager will closely monitor the interest rate movements and will use interest rate swap to hedge against interest rate exposure.

For the Reporting Period, approximately 21.6% of the monthly income of SF REIT were denominated in Renminbi, which had to be converted into Hong Kong dollars for the calculation of distributions to the Unitholders. Fluctuations in the exchange rate of Renminbi against Hong Kong dollars may therefore have impact on the level of distributions to Unitholders. The REIT Manager will closely monitor the foreign exchange market and will take appropriate protective actions to mitigate foreign exchange risk, when necessary.

As at 31 December 2021, SF REIT had total cash and cash equivalents of HK\$397.5 million and available banking facilities of HK\$250 million and RMB6.2 million. Taking into consideration the recurrent income generated from its operations, the current cash position and sources of funding available, the REIT Manager is of the view that SF REIT has sufficient financial capability to satisfy its financial commitments, working capital and capital expenditure requirements.

### Use of Proceeds from Listing

As part of the listing of SF REIT on the Hong Kong Stock Exchange in May 2021, a total of 800,000,000 units was issued including: (i) 520,000,000 units issued to public Unitholders for the initial public offering at HK\$4.98 per unit, raising approximately HK\$2,589.6 million (the “**Proceeds**”); and (ii) 280,000,000 units issued to SF Fengtai Industrial Park Holdings Limited, a wholly-owned subsidiary of SFH, for the acquisition of the companies holding our properties. The REIT Manager had utilised the Proceeds together with bank loan drawdown for acquisition of the companies holding our properties, transaction costs of the listing and general corporate purposes in accordance with the purposes set out in the section headed “Use of Proceeds” in the Offering Circular. As at 31 December 2021, the Proceeds had been fully utilised.

# Directors and Management

## Directors

### **WANG Wei (“Mr. WANG”)**

Chairman and Non-executive Director

Mr. WANG, aged 51, was appointed as a Non-executive Director on 3 February 2021 and is the Board Chairman.

Mr. WANG has extensive experience in the logistics industry. He founded SFH, a company listed on the Shenzhen Stock Exchange, in 1993. Mr. WANG has been the chairman of the board of directors and general manager of SFH since December 2016 and is responsible for formulating business strategies as well as overseeing business development and overall management of SFH. He is also a non-executive director and the chairman of the board of directors of Kerry Logistics Network Limited, a company listed on the Hong Kong Stock Exchange and a subsidiary of SFH.

Mr. WANG is a director of 深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.) and SFH, and a director and an employee of 深圳順豐泰森控股(集團)有限公司 (Shenzhen S.F. Taisen Holding (Group) Co., Ltd.), all of which are companies having an interest in the units of SF REIT within the meaning of Part XV of the SFO.

### **Hubert CHAK (“Mr. CHAK”)**

Executive Director and Chief Executive Officer

Mr. CHAK, aged 60, was appointed as a Director on 23 October 2020 and re-designated as an Executive Director on 3 February 2021. He is also the Chief Executive Officer, a member of the Investment Committee and one of the responsible officers of the REIT Manager as well as a director of all the subsidiaries of SF REIT.

Mr. CHAK has extensive experience in real estate and financial industries. He joined Link Asset Management Limited, the manager of Link Real Estate Investment Trust, in June 2010 and was its director of finance when he left in December 2018. He was also one of its responsible officers from September 2010 to August 2018. Prior to that, he was an executive director of CSI Properties Limited from April 2007 to May 2010. He also held various senior management positions at Pacific Century group between October 1999 and February 2007 and was an executive director of Pacific Century Premium Developments Limited from May 2004 to February 2007. He is currently an independent non-executive director of Tradelink Electronic Commerce Limited. All the companies/real estate investment trust mentioned above are listed on the Hong Kong Stock Exchange.

Mr. CHAK holds a Bachelor of Science degree in Mechanical Engineering and a Master of Business Administration degree from University of Wales (currently known as Cardiff University) in the United Kingdom.



### **NG Wai Ting (“Ms. NG”)**

Non-executive Director

Ms. NG, aged 50, was appointed as a Non-executive Director on 3 February 2021. She is also the chairman of the Investment Committee and a member of the Nomination and Remuneration Committee.

Ms. NG has extensive experience in the finance and accounting practice. She is currently involved in the property and land development businesses of SFH, a company listed on the Shenzhen Stock Exchange. Ms. NG was a director of SFH from December 2016 to September 2021 and was its deputy general manager and chief financial officer from December 2016 to April 2021. She worked as the president of corporate finance division and the chief financial officer of 深圳順豐泰森控股(集團)有限公司 (Shenzhen S.F. Taisen Holding (Group) Co., Ltd.), a subsidiary of SFH, from May 2013 to March 2015 and from March 2015 to December 2016 respectively. She worked at KPMG (Hong Kong) from September 1994 to April 2013 with her last position as director.

Ms. NG is a director of Sunny Sail Holding Limited which is a company having an interest in the units of SF REIT within the meaning of Part XV of the SFO.

Ms. NG holds a Bachelor of Commerce degree in Accounting and Information Systems from The University of New South Wales in Australia. She is a member of the CPA Australia.

### **YANG Tao (“Mr. YANG”)**

Non-executive Director

Mr. YANG, aged 51, was appointed as a Non-executive Director on 3 February 2021.

Mr. YANG has extensive experience in the logistics industry. He joined 深圳順豐泰森控股(集團)有限公司 (Shenzhen S.F. Taisen Holding (Group) Co., Ltd.), a subsidiary of the Shenzhen-listed SFH, in June 2004 and is currently its vice president. He was a supervisor of SFH from February 2017 to December 2019. He is currently the legal representative of multiple subsidiaries of SFH primarily responsible for their property and land development businesses as well as supporting the capital raising activities of SFH.

Mr. YANG is a director of SF Fengtai Industrial Park Holdings Limited and an employee of 深圳順豐泰森控股(集團)有限公司 (Shenzhen S.F. Taisen Holding (Group) Co., Ltd.), both of which are companies having an interest in the units of SF REIT within the meaning of Part XV of the SFO.

Mr. YANG holds a Bachelor of Accountancy degree from 黑龍江省財貿管理幹部學院 (Heilongjiang Business College) (currently known as 黑龍江工商職業技術學院 (Heilongjiang Industry and Commerce Technology Institute)) in PRC.

## Directors and Management

### **LEONG Chong (“Mr. LEONG”)**

Non-executive Director

Mr. LEONG, aged 56, was appointed as a Non-executive Director on 3 February 2021.

Mr. LEONG has extensive experience in the securities and investment industry and senior management. He was the deputy general manager of SFH, a company listed on the Shenzhen Stock Exchange, from December 2016 to March 2019. He worked in Morgan Stanley Dean Witter Asia Limited (now known as Morgan Stanley Asia Limited) with his last position as managing director of the investment banking division from June 2002 to September 2015. He was a director of the equity research department of Credit Suisse First Boston (Hong Kong) Limited (now known as Credit Suisse (Hong Kong) Limited) from June 2000 to October 2001. He worked as an analyst and vice president in the equity research division of Morgan Stanley Dean Witter Asia Limited (now known as Morgan Stanley Asia Limited) from July 1997 to June 2000. Mr. LEONG is currently an independent non-executive director of JY Grandmark Holdings Limited and Central China New Life Limited (both of which are companies listed on the Hong Kong Stock Exchange).

Mr. LEONG holds a Bachelor of Arts degree with a major in Computer Science from the University of California, Berkeley in the United States.

### **TAN Huay Lim (“Mr. TAN”)**

Independent Non-executive Director

Mr. TAN, aged 65, was appointed as an Independent Non-executive Director on 29 April 2021. He is also the chairman of the Audit Committee, a member of the Nomination and Remuneration Committee and a member of the Disclosures Committee.

Mr. TAN has over 30 years of experience in audit, accounting and finance. He served as a partner at KPMG Singapore for 23 years until his retirement in September 2015. Mr. TAN had extensive experience in auditing companies in a wide range of industries. He was a banking partner involved in the audit of financial institutions and was involved in a number of initial public offerings as well as merger and acquisition transactions during his tenure with KPMG Singapore. Mr. TAN was the Singapore Head of KPMG Global China Practice from September 2010 to September 2015.

Mr. TAN is serving as an independent non-executive director of five companies listed on Singapore Exchange Limited, namely (i) Zheneng Jinjiang Environment Holding Company Limited; (ii) Dasin Retail Trust Management Pte. Ltd., the manager of Dasin Retail Trust; (iii) Koufu Group Limited\*; (iv) Elite Commercial REIT Management Pte. Ltd., the manager of Elite Commercial REIT; and (v) Sheng Siong Group Ltd. He is also an independent non-executive director of Linklogis Inc., a company listed on the Hong Kong Stock Exchange. In addition, Mr. TAN is an independent non-executive director of Green Link Digital Bank Pte. Ltd., a private company incorporated in Singapore.

\* resignation on 31 March 2022

Mr. TAN holds a Bachelor degree in Commerce (Accountancy) from Nanyang University (currently known as Nanyang Technological University) in Singapore. He is a fellow member of the Institute of Singapore Chartered Accountants, the Association of Chartered Certified Accountants (United Kingdom) and the CPA Australia.

### **HO Lap Kee, MH, JP (“Mr. HO”)**

Independent Non-executive Director

Mr. HO, aged 61, was appointed as an Independent Non-executive Director on 29 April 2021. He is also the chairman of the Nomination and Remuneration Committee, a member of the Audit Committee and a member of the Disclosures Committee.

Mr. HO has extensive experience in the shipping and maritime industry and in aspect of trade and transport of goods. He has been an executive director at the secretariat of The Hong Kong Shippers’ Council since September 1999. Prior to that, he worked at Swire Shipping (Agencies) Limited and Taikoo Maritime Services Limited until September 1999 with his last position as deputy managing director. He is also an independent non-executive director of Tradelink Electronic Commerce Limited, a company listed on the Hong Kong Stock Exchange.

Mr. HO is a director of the Urban Renewal Fund and a member of the Logistics Industry Training Advisory Committee, two committees of the Hong Kong Maritime and Port Board and the Private Columbaria Appeal Board. He is also a member of the Shipping & Transport Committee of The Hong Kong General Chamber of Commerce, the Logistics Services Advisory Committee of the Hong Kong Trade Development Council and Hong Kong-Taiwan Business Co-operation Committee. Mr. HO has been appointed as a non-official member of the Land and Development Advisory Committee and its Land Sub-Committee from 1 July 2021 to 30 June 2024. He was a member of the Hong Kong Logistics Development Council, the Port Operations Committee and the Dangerous Goods Standing Committee. He served as the vice-chairman and chairman of the Hong Kong Liner Shipping Association from January 1992 to December 1992 and January 1993 to December 1995 respectively. He is the current chairman of the Hong Kong Logistics Management Staff Association and council member of The Chartered Institute of Logistics and Transport in Hong Kong. He was appointed as an advisor of the Shenzhen Ports Association for two terms in June 2005 and April 2014. Mr. HO was elected as a member of the Election Committee for the Chief Executive in 2011, 2016 and 2021.

Mr. HO holds a Bachelor of Social Science degree from The University of Hong Kong. He is a chartered fellow of The Chartered Institute of Logistics and Transport in Hong Kong.

## Directors and Management

### **CHAN Ming Tak, Ricky (“Mr. CHAN”)**

Independent Non-executive Director

Mr. CHAN, aged 63, was appointed as an Independent Non-executive Director on 29 April 2021. He is also the chairman of the Disclosures Committee, a member of the Investment Committee and a member of the Audit Committee.

Mr. CHAN has extensive experience in the legal professional with real estate, corporate finance, listing matters and cross-border transactions. He was the director of legal and the company secretary of Link Asset Management Limited, the manager of Link Real Estate Investment Trust, an investment trust listed on the Hong Kong Stock Exchange, from August 2010 to December 2019. Prior to that, he worked at Pacific Century Premium Developments Limited, a company listed on the Hong Kong Stock Exchange, from April 2009 to August 2010 with his last position as general counsel. He was the head of legal counsel and company secretary of K. Wah International Holdings Limited, a company listed on the Hong Kong Stock Exchange, from November 2005 to April 2009. Mr. CHAN was a practising solicitor in Hong Kong.

Mr. CHAN holds a Bachelor of Laws degree from The University of Hong Kong and a Master of Laws degree from University College London. He was also awarded a Diploma in Chinese Laws by 中國政法大學 (China University of Political Science and Law). Apart from being a qualified solicitor in Hong Kong, Mr. CHAN is also a qualified lawyer of Singapore and was admitted as an attorney-at-law in the State of New York in 1989. He was a member of the In-House Lawyers Committee of The Law Society of Hong Kong from March 2011 to September 2020.

### **KWOK Tun Ho, Chester (“Mr. KWOK”)**

Independent Non-executive Director

Mr. KWOK, aged 58, was appointed as an Independent Non-executive Director on 29 April 2021. He is also a member of the Audit Committee and a member of the Nomination and Remuneration Committee.

Mr. KWOK has extensive experience in the financial services and banking industry and served in a senior capacity in a number of international financial institutions. He is currently an independent non-executive director of Henderson Sunlight Asset Management Limited, the manager of Sunlight Real Estate Investment Trust, an investment trust listed on the Hong Kong Stock Exchange, and Yixin Group Limited, a company listed on the Hong Kong Stock Exchange. Mr. KWOK was a member of the Takeovers and Mergers Panel of the Securities and Futures Commission of Hong Kong from April 2007 to March 2016. He has been a member of the Process Review Panel of the Securities and Futures Commission of Hong Kong since November 2016.

Mr. KWOK holds a Bachelor of Arts degree from the University of Cambridge. He is a fellow of the Hong Kong Securities and Investment Institute and a fellow of The Hong Kong Institute of Directors.

### **Michael Tjahja SUSANTO (“Mr. SUSANTO”)**

Independent Non-executive Director

Mr. SUSANTO, aged 49, was appointed as an Independent Non-executive Director on 30 June 2021. He is also a member of the Investment Committee.

Mr. SUSANTO has extensive experience in real estate investments and finance. He is currently a managing director and Head of China Investments of Phoenix Property Investors. He was a managing director of PAG Consulting Limited and Head of PAG Real Estate, China from May 2012 to May 2021, where he expanded the firm’s investment footprint in China and built a team of investment and asset management professionals in Hong Kong, Shanghai and Beijing. Mr. SUSANTO also worked at Nomura International (Hong Kong) Limited.

Mr. SUSANTO holds a Bachelor of Arts degree in Economics from Harvard University and a Master of Business Administration degree from The Wharton School of the University of Pennsylvania and a Master of Arts degree from The Joseph H. Lauder Institute of Management and International Studies of the University of Pennsylvania.

## Management

Set out below are the profiles of the responsible officers and other management members of the REIT Manager:

### **Hubert CHAK (“Mr. CHAK”)**

Executive Director and Chief Executive Officer

Mr. CHAK is an Executive Director, the Chief Executive Officer and one of the responsible officers of the REIT Manager. He is a senior management for the purpose of the Listing Rules. His biographical information is set out in the “Directors” section above.

### **HONG Kam Kit, Eddie (“Mr. HONG”)**

Director of Investment

Mr. HONG is the Director of Investment and one of the responsible officers of the REIT Manager. He has extensive experience in real estate investment, asset management and accountancy. He was responsible for the investment and investor relations functions of other REITs listed in Hong Kong. Mr. HONG holds a Bachelor of Economics degree from Macquarie University in Australia and a Master of Business Law degree from Monash University. He is a member of the CPA Australia and is qualified as a Chartered Financial Analyst.

## Directors and Management

### **YEUNG Tak Him (“Mr. YEUNG”)**

Head of Portfolio Management

Mr. YEUNG is the Head of Portfolio Management and one of the responsible officers of the REIT Manager. He has extensive experience in property investment and divestment, valuation and portfolio management gained from asset manager, property developer and international (or major) surveying firm, including the experience of working in the investment team of a REIT listed in Hong Kong. Mr. YEUNG holds a Bachelor of Science degree in Surveying from The University of Hong Kong and a Bachelor of Science degree in Accounting and Finance from The University of London. He is a professional member of the Royal Institution of Chartered Surveyors and is qualified as a Chartered Financial Analyst.

### **LU Shaojun (“Mr. LU”)**

Head of Asset Management

Mr. LU is the Head of Asset Management of the REIT Manager. He has extensive experience in construction management and project management gained from the SFH Group and before that, from other international companies. Mr. LU holds a Master of Science degree (Structural Engineering & Construction Management) from the University of Newcastle upon Tyne in the United Kingdom.

### **HO Sze Ting (“Ms. HO”)**

Head of Finance

Ms. HO is the Head of Finance of the REIT Manager. She has extensive experience in statutory financial reporting and financial management for business entities in Hong Kong and PRC. Ms. HO holds a Bachelor of Business Administration degree (Accounting and Finance) and a Master of Laws degree (Corporate and Financial Laws) from The University of Hong Kong. She is a fellow of the Hong Kong Institute of Certified Public Accountants.

### **LEUNG Wai Yee (“Ms. LEUNG”)**

Company Secretary and Head of Compliance

Ms. LEUNG is the Company Secretary and Head of Compliance of the REIT Manager. She has extensive experience in company secretarial and corporate compliance practices, including acting as the company secretary of several companies listed on the Hong Kong Stock Exchange. Ms. LEUNG holds a Bachelor of Arts degree in Accountancy from The Hong Kong Polytechnic University. She is an associate of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.

# Corporate Governance Report

SF REIT is committed to upholding high corporate governance standards and its corporate governance framework emphasises transparency, accountability and independence.

The REIT Manager recognises that good corporate governance is fundamental to the smooth, effective and transparent operation of SF REIT and its ability to attract investment, protect the rights of Unitholders and stakeholders, and enhance Unitholder value. As such, the REIT Manager is committed to upholding high corporate governance standards and has put in place policies and procedures to promote SF REIT's operations in a transparent manner and with built-in checks and balances.

The REIT Manager has adopted the Compliance Manual for the management and operation of SF REIT. The Compliance Manual sets out the key processes, systems and policies and procedures including the corporate governance policy.

## Authorisation Structure

SF REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO, regulated by the REIT Code and constituted by the Trust Deed. The REIT Manager is licensed by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The REIT Manager has three responsible officers, whose names appear in the "Corporate Information" section of this report, for the purposes of the SFO and the REIT Code.

The Trustee is a trust company registered under section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

The Trustee and the REIT Manager are independent of each other. The Trustee is responsible under the Trust Deed for the safe custody of the assets of SF REIT on behalf of the Unitholders and for overseeing the activities of the REIT Manager for compliance with the relevant constitutive documents of, and regulatory requirements applicable to, SF REIT. The REIT Manager is to manage SF REIT and its assets in accordance with the Trust Deed in the sole interest of the Unitholders and to fulfil the duties imposed on it under general law as the manager of SF REIT and, in particular, to ensure that the financial and economic aspects of SF REIT's assets are professionally managed in the sole interest of the Unitholders.

# Corporate Governance Report

## Board and Board Committees of the REIT Manager

### Board

The Board is responsible for the overall corporate governance of SF REIT. Within the limits defined by the REIT Manager's articles of association, the Board exercises its general powers to manage the business and affairs of SF REIT and ensure that sound internal control policies and risk management system are maintained.

### Size and Composition

According to its articles of association, the REIT Manager shall have no less than one or more than 20 Directors. As of the date of this report, the Board is comprised of 10 Directors, including one Executive Director (who is the Chief Executive Officer), four Non-executive Directors (one of whom is the Board Chairman) and five Independent Non-executive Directors. The Board considers that the current Board size is optimal and composition is well-balanced to facilitate efficient decision-making. The names of the Directors appear in the "Corporate Information" section of this report.

All the Directors (except Mr. Michael Tjahja SUSANTO) were appointed prior to the Listing Date. Mr. Michael Tjahja SUSANTO was appointed as an Independent Non-executive Director on 30 June 2021. Save as disclosed, there was no change in Board members during the Relevant Period and up to the date of this report.

### Independent Non-executive Directors

Five out of 10 (50%) of the Board members are Independent Non-executive Directors. This strong independent representation ensures that opinions of the Independent Non-executive Directors carry weight inside the Board room. The Independent Non-executive Directors bring constructive challenge and exercise independent judgement on management proposals and act objectively for the benefit of the SF REIT and the Unitholders as a whole.



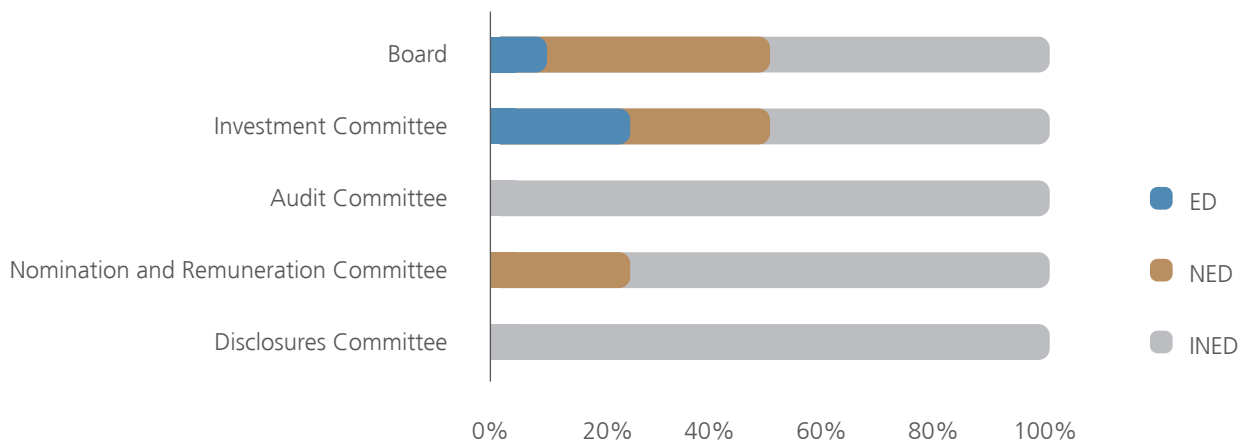
To further enhance the corporate governance of SF REIT, the REIT Manager had amended its articles of association to require that:

- (i) any Independent Non-executive Director appointed by the Board, whether as an additional Director or to fill a casual vacancy, shall hold office only until the conclusion of the next general meeting of SF REIT and shall be subject to retirement and re-election by Unitholders at that general meeting of SF REIT;
- (ii) every Independent Non-executive Director shall be subject to retirement by rotation and re-election by Unitholders at annual general meeting of SF REIT at least once every three years; and
- (iii) any Independent Non-executive Director who has held office for nine consecutive years shall be subject to re-election by Unitholders by way of ordinary resolution at the next following annual general meeting of SF REIT and at every third annual general meeting of SF REIT thereafter.

In accordance with the REIT Manager's articles of association, Mr. Michael Tjahja SUSANTO, who was appointed by the Board on 30 June 2021, shall retire from office at the forthcoming 2022 annual general meeting of SF REIT, but, being eligible, shall offer himself for re-election by Unitholders as an Independent Non-executive Director.

The Nomination and Remuneration Committee is responsible for assessing the independence of Independent Non-executive Directors. In this regard, each Independent Non-executive Director has already provided to the REIT Manager his annual confirmation of independence by reference to the independence guidelines set out in the Compliance Manual (which are modelled on the independence guidelines set under Rule 3.13 of the Listing Rules). Based on such annual confirmations, the Nomination and Remuneration Committee assessed and was satisfied that all the Independent Non-executive Directors remained independent.

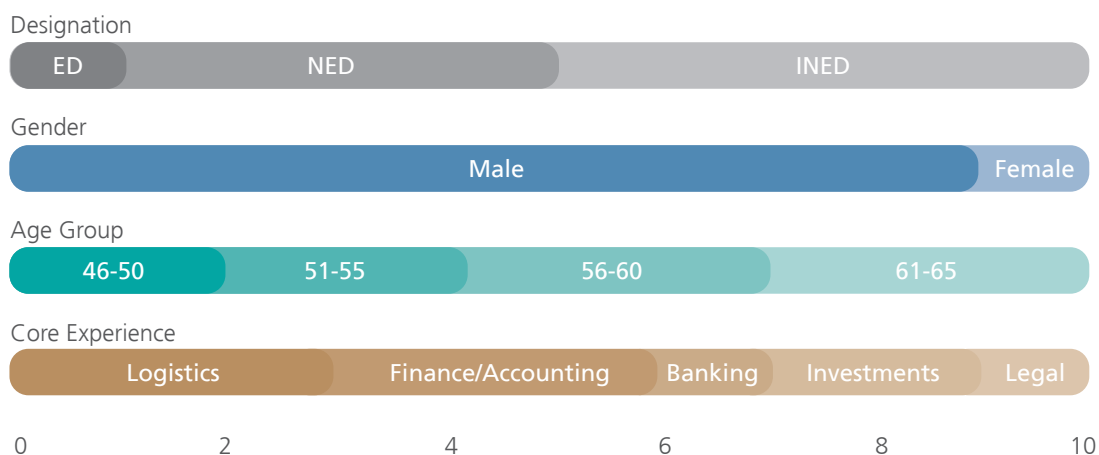
### Independence Weighting



# Corporate Governance Report

## Board Diversity

### Diversity at a Glance



The REIT Manager recognises and embraces the benefits of having a balanced and diverse Board which can bring along broad range of views and contribute to critical decision-making. Our board diversity policy was adopted on 29 April 2021 which aims to set out the approach to achieve diversity on the Board. The Nomination and Remuneration Committee monitors the implementation of this policy and reviews it regularly.

In terms of experience, our Board nets talented business executives and professionals from logistics, finance and accounting, banking, investments and legal sectors. The skills and experience possessed by our Board members are appropriate for execution of the Board's duties and desirable for the businesses of SF REIT.

## Board Evaluation

To ensure effectiveness of functioning, the Board will conduct annual performance evaluation. The evaluation of the Board's performance for the Relevant Period was conducted by way of sending a tailored questionnaire to Directors to collect views and comments. The whole exercise was conducted on an anonymous basis to encourage free expression of opinions. Evaluation results and findings were reviewed and considered by the Nomination and Remuneration Committee and the Board.























## Nomination and Appointment of Directors

The Board has the ultimate responsibility for selection, appointment and re-appointment of Directors. The Nomination and Remuneration Committee is delegated with the duties to review Board composition and recommend the appointment or re-appointment of Directors. Our nomination policy was adopted on 29 April 2021 to set out the lead role of the Nomination and Remuneration Committee in Director's nomination process. In identifying candidates for nomination of new directorship, the Nomination and Remuneration Committee will consider factors such as skills, industry experience, ethnicity, age and gender, and potential contribution to diversity.

## Directors' Commitments

All Directors are committed to devoting sufficient time and attention to SF REIT's affairs. They have disclosed to the Board on an annual basis their major appointments and outside directorships, particularly those held in other listed public companies, with an indication of time involvement.

Every newly appointed Director will receive a comprehensive induction arranged by the REIT Manager. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills, and are required to provide to the REIT Manager their training records on an annual basis. A summary of Directors' participation in training during the Relevant Period is shown below:

	 Received Induction	 Attended Training
 <b>WANG Wei</b> Chairman and NED	 	 <b>TAN Huay Lim</b> INED
 <b>Hubert CHAK</b> ED and CEO	 	 <b>HO Lap Kee, MH, JP</b> INED
 <b>NG Wai Ting</b> NED	 	 <b>CHAN Ming Tak, Ricky</b> INED
 <b>YANG Tao</b> NED	 	 <b>KWOK Tun Ho, Chester</b> INED
 <b>LEONG Chong</b> NED	 	 <b>Michael Tjahja SUSANTO</b> INED

# Corporate Governance Report

## Changes in Director's Information

Subsequent to the date of approval of the interim report 2021, there has been the following changes in Director's information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules (as if such rule were applicable to SF REIT):

1. Mr. WANG Wei, Chairman and Non-executive Director, was appointed as a non-executive director and the chairman of the board of directors of Kerry Logistics Network Limited, a company listed on the Hong Kong Stock Exchange, on 13 October 2021.
2. Ms. NG Wai Ting, Non-executive Director, resigned as a director of SFH on 28 September 2021.
3. Mr. TAN Huay Lim, Independent Non-executive Director, resigned as an independent non-executive director of ASL Marine Holdings Ltd. on 1 November 2021 and was appointed as an independent non-executive director of Sheng Siong Group Ltd on 22 December 2021.
4. Mr. HO Lap Kee, Independent Non-executive Director, was elected as a member of the Election Committee for the Chief Executive in the "2021 Election Committee Subsector Elections" held in September 2021.

## Board Process

### Board Chairman and Chief Executive Officer

The role of the Board Chairman (which is held by Mr. WANG Wei) is separate from that of the Chief Executive Officer (which is held by Mr. Hubert CHAK) to reinforce accountability and responsibility. According to the Compliance Manual, the Board Chairman must be a Non-executive Director. He is responsible for the overall leadership of the Board. The Chief Executive Officer, being an Executive Director, is responsible for the day-to-day management and supervises the management team to ensure that SF REIT and the REIT Manager are operated in accordance with stated strategies, policies and regulations.

### Delegation to Management

Headed by the Chief Executive Officer, the management team is entrusted with the duty to run SF REIT's business and daily operations effectively. Regular management meetings are held to review and discuss operations and financial performance as well as significant issues affecting SF REIT.

While delegation to management can promote efficiency in operations and thereby ensuring a high level of success and achievement of objectives, the Board is aware of the need to maintain an optimal balance of responsibility between the Board and the management. Matters of significance are reserved for consideration by the Board.

Below are certain reserved matters for the Board:

- approval of annual results announcement and interim results announcement;
- approval of annual report and audited financial statements as well as interim report and unaudited interim financial statements;
- approval of interim, final and other distributions;
- approval of acquisition or disposal of properties by SF REIT;
- issue and placement of units or buy-back of units;
- approval of appointment or removal of the Chief Executive Officer, Executive Director and the Company Secretary;
- approval of appointment or removal of other Directors by the Board on the recommendation of the Nomination and Remuneration Committee;
- approval of the remuneration of Directors; and
- approval of any matter which would have a material effect on SF REIT's financial position, liabilities, future strategy or reputation.

The Board or each Director may have separate and independent access to the Board Chairman, the Chief Executive Officer and management staff at all levels. Monthly financial update is submitted by the management to the Directors.

### Meetings of the Board and the Board Committees

Regular Board meetings are held at least four times a year roughly at quarterly intervals. Additional ad hoc meetings are arranged as and when required. A meeting calendar of regular Board and Board Committees meetings is set before the beginning of each year to facilitate maximum attendance of meetings by Directors. Notice of at least 14 days is given for a regular meeting and reasonable notice is given for any ad hoc meeting. Agenda is prepared in consultation, respectively, with the Board Chairman/Chief Executive Officer and chairmen of various Board Committees. Directors are given the opportunity to include in the meeting agenda any matters they wish to discuss.

Agenda accompanied by papers with comprehensive information are sent to Directors at least three days before the intended meeting date so as to give them sufficient time to prepare for the meeting. Video or telephone participation is arranged for those Directors who cannot attend the meeting physically. Minutes of meeting is properly kept by the company secretary of the REIT Manager. Comments from Directors will be collected before final version of minutes is signed.

## Corporate Governance Report

During the Relevant Period, three Board meetings, two Investment Committee meetings, two Audit Committee meetings, one ad hoc Nomination and Remuneration Committee meeting and three Disclosures Committee meetings were held. Attendance of Directors at meetings of the Board and Board Committees in the Relevant Period is shown below:

	Board	Investment Committee	Audit Committee	Nomination and Remuneration Committee	Disclosures Committee
<b>Executive Director</b>					
(Number of meetings attended/eligible to attend)					
 <b>Hubert CHAK (CEO)</b>	<b>3/3</b>	<b>2/2</b>	-	-	-
<b>Non-executive Directors</b>					
 <b>WANG Wei (Chairman)</b>	<b>3/3</b>	-	-	-	-
 <b>NG Wai Ting</b>	<b>3/3</b>	<b>2/2</b>	-	<b>1/1</b>	-
 <b>YANG Tao</b>	<b>3/3</b>	-	-	-	-
 <b>LEONG Chong</b>	<b>3/3</b>	-	-	-	-
<b>Independent Non-executive Directors</b>					
 <b>TAN Huay Lim</b>	<b>3/3</b>	-	<b>2/2</b>	<b>1/1</b>	<b>3/3</b>
 <b>HO Lap Kee, MH, JP</b>	<b>3/3</b>	-	<b>2/2</b>	<b>1/1</b>	<b>3/3</b>
 <b>CHAN Ming Tak, Ricky</b>	<b>3/3</b>	<b>2/2</b>	<b>2/2</b>	-	<b>3/3</b>
 <b>KWOK Tun Ho, Chester</b>	<b>3/3</b>	-	<b>2/2</b>	<b>1/1</b>	-
 <b>Michael Tjahja SUSANTO<sup>(1)</sup></b>	<b>3/3</b>	<b>2/2</b>	-	-	-

(1) Appointed on 30 June 2021

During the Relevant Period, the Board Chairman met privately with the Independent Non-executive Directors (except Mr. TAN Huay Lim who was in Singapore and could not join the event due to prevailing travel restriction) to discuss issues of their concern.

### Role of Company Secretary

The company secretary of the REIT Manager is responsible for, among others, ensuring that Board policies and procedures are followed. All Directors have access to the company secretary's advice and services. For the Relevant Period, the company secretary of the REIT Manager complied with all the required qualifications, experience and training requirements of the Listing Rules.


## Board Committees

The Board has established four Board Committees, namely, the Investment Committee, the Audit Committee, the Nomination and Remuneration Committee and the Disclosures Committee, to assist the Board in discharging certain aspects of its duties. Each of these Board Committees is governed by its own written terms of reference.

All the Board Committees are provided with sufficient resources to discharge their duties and have access to professional advice, if necessary, at the REIT Manager's expenses.

### Investment Committee

#### Memberships

	<p><b>NG Wai Ting (chairman)</b> NED</p> <p><b>Meeting Attendance</b> attended / eligible to attend <b>2 / 2</b></p>		<p><b>Hubert CHAK</b> ED and CEO</p> <p><b>Meeting Attendance</b> attended / eligible to attend <b>2 / 2</b></p>
	<p><b>CHAN Ming Tak, Ricky</b> INED</p> <p><b>Meeting Attendance</b> attended / eligible to attend <b>2 / 2</b></p>		<p><b>Michael Tjahja SUSANTO</b> INED</p> <p><b>Meeting Attendance</b> attended / eligible to attend <b>2 / 2</b></p>

#### Key Role

The Investment Committee is mainly responsible for evaluating and making recommendations on proposed acquisitions and/or disposals of assets, capital management strategies (such as hedging activities), financing and refinancing arrangements, and investment and financial risks as well as reviewing and recommending changes to financial authorities and policies or procedures in relation to treasury management.

#### Tasks Performed in the Relevant Period

- Reviewed and endorsed the investment policy of SF REIT for the Board's approval
- Reviewed budgets of SF REIT and REIT Manager
- Reviewed portfolio performance of SF REIT against budget and targets
- Reviewed capital and treasury management policies and debt financing plan
- Reviewed investment proposal submitted by the management
- Endorsed interest rate swap proposals submitted by the management

# Corporate Governance Report

## Audit Committee

### Memberships

 <b>TAN Huay Lim (chairman)</b> INED <b>Meeting Attendance</b> attended / eligible to attend <b>2 / 2</b>	 <b>HO Lap Kee, MH, JP</b> INED <b>Meeting Attendance</b> attended / eligible to attend <b>2 / 2</b>
 <b>CHAN Ming Tak, Ricky</b> INED <b>Meeting Attendance</b> attended / eligible to attend <b>2 / 2</b>	 <b>KWOK Tun Ho, Chester</b> INED <b>Meeting Attendance</b> attended / eligible to attend <b>2 / 2</b>

### Key Role

The Audit Committee is mainly responsible for establishing and maintaining effective internal financial reporting system and internal control and risk management systems; ensuring the quality and integrity of financial statements; nominating independent external auditor and reviewing the adequacy of external audit in respect of cost, scope and performance.

At least one of the Audit Committee members shall possess appropriate professional qualifications, accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules (as if such rule were applicable to SF REIT) and such member is Mr. TAN Huay Lim.



#### Tasks performed in the Relevant Period

- Reviewed interim results announcement, interim report and unaudited interim financial statements
- Reviewed report of the external auditor
- Considered service scope, fees and terms of engagement of the external auditor
- Reviewed internal audit reports and endorsed a 3-year internal audit plan
- Assessed risk environment of SF REIT and reviewed risk assessment report
- Assessed the effectiveness of the internal control and risk management systems
- Reviewed connected party transactions to ensure compliance with the requirements of the REIT Code and the Listing Rules
- Reviewed and recommended the whistle-blowing policy for the Board's approval
- Reviewed corporate governance policies and practices
- Reviewed compliance report submitted by the Head of Compliance



## Nomination and Remuneration Committee

### Memberships

	<p><b>HO Lap Kee, MH, JP (chairman)</b> INED</p> <p><b>Meeting Attendance</b> attended / eligible to attend <b>1</b> / <b>1</b></p>		<p><b>NG Wai Ting</b> NED</p> <p><b>Meeting Attendance</b> attended / eligible to attend <b>1</b> / <b>1</b></p>
	<p><b>TAN Huay Lim</b> INED</p> <p><b>Meeting Attendance</b> attended / eligible to attend <b>1</b> / <b>1</b></p>		<p><b>KWOK Tun Ho, Chester</b> INED</p> <p><b>Meeting Attendance</b> attended / eligible to attend <b>1</b> / <b>1</b></p>

### Key Role

The Nomination and Remuneration Committee is mainly responsible for reviewing the structure, size and composition of the Board and Board Committees; making recommendations on changes in members of the Board and Board Committees; developing the criteria for identifying and evaluating candidates for directorship; assessing the independence of Independent Non-executive Directors; reviewing, implementing and monitoring the board diversity policy; reviewing, implementing and monitoring the nomination procedures of Directors; overseeing and establishing the overall compensation strategy and policies, pay level and manpower succession plan; and making recommendations to the Board on the remuneration packages of Directors.

#### Tasks Performed in the Relevant Period

- Reviewed and recommended the appointment of a new Independent Non-executive Director
- Reviewed the board diversity policy and the nomination policy

# Corporate Governance Report

## Disclosures Committee

### Memberships



#### **CHAN Ming Tak, Ricky (chairman)**

INED

#### **Meeting Attendance**

attended / eligible to attend  
**3** / **3**



#### **TAN Huay Lim**

INED

#### **Meeting Attendance**

attended / eligible to attend  
**3** / **3**



#### **HO Lap Kee, MH, JP**

INED

#### **Meeting Attendance**

attended / eligible to attend  
**3** / **3**

### Key Role

The Disclosures Committee is mainly responsible for reviewing matters relating to the disclosure of information to Unitholders and announcements to be published to ensure that the disclosure of information is accurate, complete and not misleading.

#### Tasks performed in the Relevant Period

- Reviewed disclosures in the announcement for appointment of Independent Non-executive Director
- Reviewed disclosures in the announcement of asset injection consideration and final payment under the sale and purchase deed
- Reviewed disclosures in interim results announcement, interim report and unaudited interim financial statements
- Reviewed and endorsed the Unitholders' communication policy for the Board's approval
- Reviewed and endorsed the corporate communication policy for the Board's approval

## Accountability and Audit

### Directors' Responsibility for the Financial Statements

The Directors acknowledged their responsibilities for the preparation of the consolidated financial statements for the Reporting Period which give a true and fair view of the financial position of the Group and of the financial performance and cash flow for that period.

The external auditor's reporting responsibilities are set out in the Independent Auditor's Report on pages 57 to 63 of this report.

### External Auditor

PricewaterhouseCoopers was appointed by the Board as the external auditor of SF REIT and the REIT Manager. The fees, scope of services and terms of engagement of the external auditor have been reviewed by the Audit Committee who has also assessed the performance and services of the external auditor in terms of quality and effectiveness in arriving at its recommendation on the re-appointment of PricewaterhouseCoopers as the external auditor.

The Audit Committee reviewed and assessed the independence of the external auditor and had received from the external auditor its written confirmation of independence. Based on its review, the Audit Committee was satisfied with the effectiveness of the audit process, as well as the technical competence, professional ethics, independence and objectivity of the external auditor.

External auditor has been engaged to provide non-audit services but only to the extent that its independence has not been impaired. In this regard, the Audit Committee has adopted a policy on engagement of external auditor for non-audit services whereby pre-approval by the Audit Committee is required for non-audit engagement exceeding predetermined thresholds. Non-audit services rendered are subject to annual review by the Audit Committee.

The audit and non-audit services fees payable to the external auditor for the Reporting Period are set out below:

Services rendered	Fees payable (HK\$)
Audit services and audit related assurance services	2,307,000
Non-audit services:	
– Taxation	85,000
– Others	242,000
<b>Total</b>	<b>2,634,000</b>

## Corporate Governance Report

The REIT Manager has also adopted a stringent policy with respect to employment of employees or former employees of the external auditor to take up senior management or audit or financial positions to avoid potential conflict of interest with the external auditor.

### Internal Control and Risk Management

The REIT Manager recognises the importance of maintaining continually sound internal control and risk management systems to safeguard Unitholders' interests and investments, SF REIT's assets, as well as managing business risks.

The Board has engaged an independent professional firm which is well equipped with a qualified, experienced and dedicated team to act as the internal auditor (the "**Internal Auditor**"). The Internal Auditor is entrusted to SF REIT with the duty to provide internal auditing services and carry out independent internal audit reviews. Through the independent assessment of the internal control and risk management systems and operational functions of SF REIT, the Internal Auditor assists the REIT Manager to identify, evaluate and manage significant risks, and review the effectiveness of SF REIT's internal control and risk management systems on an ongoing basis. The Internal Auditor reports directly to the Audit Committee on its internal audit findings and recommendations. During the Relevant Period, the Audit Committee endorsed a 3-year internal audit plan formulated by the Internal Auditor under a risk-based assessment methodology in order to assess the effectiveness of the internal control and risk management processes of SF REIT's operations.

The Board is responsible for evaluating and determining the nature and extent of risks it is willing to take in achieving SF REIT's strategic objectives. The Board is also responsible (with the assistance of the Audit Committee and the management) for ensuring that sound and effective internal control and risk management systems are in place to manage (rather than eliminate) the risk of failure to achieve business objectives, and to provide reasonable (but not absolute) assurance against material misstatement, loss, or fraud.

The REIT Manager has implemented a 3-level risk monitoring system for risk control. At the front are the function heads who are responsible to identify, monitor and report risks in day-to-day operations. The Audit Committee is responsible to review risk assessment report from the management on a half-year basis. The Audit Committee reports to the Board on its review, advises on the effectiveness of the risk assessment system and, if applicable, recommends on any risk mitigating measures. In between the function heads and the Audit Committee is the risk taskforce led by the Chief Executive Officer with the assistance of the manager in-charge of Risk Management. The risk taskforce conducts risk assessment regularly and roughly at quarterly intervals. During the Reporting Period, the risk taskforce performed a comprehensive risk assessment exercise with reference to a risk universe containing different external and internal risks that may affect SF REIT. The risk taskforce reviewed each risk in the risk universe and considered its relevance to SF REIT's business and operations. Through its review, the risk taskforce has identified 15 key risks that have a likelihood of occurrence or may cause an impact on SF REIT. The key risks were recorded in a register to facilitate ongoing monitoring, review and, if required, further updating to reflect any changes in the risk profile of SF REIT as well as any emerging risk.

During the Relevant Period, based on the review of the risk taskforce, risk updates were submitted twice to the Audit Committee for review and the Audit Committee in turn reported to the Board.

Based on the recommendation of the Audit Committee, the Board had reviewed and was satisfied that the internal control and risk management systems were effective during the Relevant Period.

The Audit Committee has also reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function.

### Conflict of Interests and Interest in Competing Business

SF REIT invests in income-generating real estate globally with an initial focus on logistics properties located in Hong Kong and Mainland China. While SFH's principal business is not the leasing of properties, its certain subsidiaries are engaged in the investment, development and management of logistics properties in Mainland China (the "**Competing Businesses**"). During the Relevant Period, Mr. WANG Wei, Ms. NG Wai Ting, Mr. YANG Tao and Mr. LEONG Chong (up to December 2021) hold directorships, shareholding interests, senior management positions and/or advisory or consultancy role in SFH and/or its subsidiaries (including those engaged in the Competing Businesses) and may therefore have conflict of interests in their involvement in the businesses of both the Group and the SFH Group. Accordingly, Mr. WANG Wei, Ms. NG Wai Ting, Mr. YANG Tao and Mr. LEONG Chong, all being Non-executive Directors, are considered to have interests in the Competing Businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group. Given that the Competing Businesses are managed by separate companies with management and administration functions distinct from SF REIT, it is considered that the Group is capable of carrying on its businesses independently of, and at arm's length from, the Competing Businesses.

Apart from the Competing Businesses, the REIT Manager which manages SF REIT is an indirect subsidiary of SFH. There may be circumstances where conflict of interests amongst the REIT Manager, SF REIT and SFH may arise. The PRC Operations Managers are indirect subsidiaries of SFH and they also provide services to properties and entities within the SFH Group. The PRC Operations Managers may face conflict of interests in other activities of the SFH Group at an operational level.

To mitigate the potential conflict of interests with the SFH Group, the REIT Manager has maintained a strong representation of Independent Non-Executive Directors in the Board who are not related to SFH and can therefore act independently for the sole interest of SF REIT and address any potential conflict of interests with the SFH Group.

## Corporate Governance Report

With regard to the PRC Operations Managers appointed for managing, respectively, the Foshan Property and Wuhu Property, the REIT Manager has required certain sensitive operational functions, such as leasing and marketing, to be performed by dedicated and ringfenced teams within the PRC Operations Managers. These ringfenced teams are made up of personnel whose performance is only measured by reference to their efforts in managing the properties of SF REIT, effectively aligning the interests of the PRC Operations Managers with those of SF REIT and the Unitholders. The REIT Manager has also required the PRC Operations Managers to implement measures such as “Chinese Walls”, information technology systems with access rights control and clear reporting lines to protect sensitive property management information pertaining to the properties of SF REIT from being used by members of the SFH Group to the detriment of the Group.

Moreover, the REIT Manager has adopted the following measures to deal with conflict of interests generally:

- the REIT Manager is a dedicated manager to SF REIT and does not manage any other REIT;
- the REIT Manager will ensure that it is able to function independently from its shareholder, and its management staff are employed on a full time basis solely for the operations of the Group;
- the REIT Manager has established procedures to deal with conflict of interests in the Compliance Manual;
- the REIT Manager has established control procedures to monitor connected party transactions between SF REIT and its connected persons;
- conflict of interests involving a Director or a substantial holder of SF REIT or other connected person will be managed by convening a physical Board meeting where all Independent Non-executive Directors having no material interest in the matter shall attend the meeting; and
- a Director who has a material interest in a matter shall abstain from voting on the resolution concerned and shall not be counted in quorum at the relevant Board meeting.

### Whistle-blowing and Anti-corruption

The REIT Manager has adopted a whistleblowing policy to ensure that proper arrangements are put in place for employees to report any concerns, including financial misconduct, bribery, forgery or fraud, and misappropriation or misuse of assets, in confidence and without fear of recrimination. Employees are able to report any concerns to the Chief Executive Officer or directly to the chairman of the Audit Committee through his personal email.

The REIT Manager regards honesty, integrity and fair play as the core values of SF REIT that must be upheld by all employees of the REIT Manager at all times. The gifts and entertainment policy embedded in the Compliance Manual, which is the anti-corruption policy enforced by the REIT Manager, strictly prohibits all employees of the REIT Manager from soliciting, accepting or offering any bribe in the course of business of the Group. The REIT Manager has required all its employees to comply with this anti-corruption policy.

### Compliance

#### Corporate Governance Code

SF REIT and the REIT Manager had applied the principles and complied with, to the extent appropriate, the code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the Relevant Period.

#### Code Governing Dealings in Units by Directors

The REIT Manager has adopted its own Code Governing Dealings in Units by Directors on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to govern dealings in units by the Directors. The Code Governing Dealings in Units by Directors is extended to apply to the REIT Manager and those employees of the REIT Manager who are likely to be in possession of unpublished inside information in relation to SF REIT.

After making specific enquiry of all Directors, each of them confirmed that he/she had complied with the required standard as set out in the Code Governing Dealings in Units by Directors throughout the Relevant Period.

#### Other Compliance

Throughout the Relevant Period, SF REIT and the REIT Manager complied with the REIT Code, the SFO, applicable provisions of the Listing Rules, the Trust Deed and in all material respects the Compliance Manual.

# Corporate Governance Report

## Investor Relations and Communications

### Unitholders' Communication Policy

The REIT Manager has adopted a Unitholders' communication policy which aims to maintain an effective communication with Unitholders and enhance a culture of disclosure to Unitholders the ongoing developments of SF REIT. The policy will be regularly reviewed to ensure its effectiveness. Announcements, circulars and other corporate communications covering financial and non-financial information of SF REIT are disseminated on a timely basis to keep Unitholders and the public informed of SF REIT's latest developments.

### Corporate Communication Policy

To ensure proper dissemination of information, the REIT Manager has adopted a corporate communication policy to set the standard and guide staff to respond to external enquiries.

Unitholders and investors may direct their enquiries to the REIT Manager by email or post. The contact details of the REIT Manager are set out in the "Corporate Information" section of this report.

### General Meetings of Unitholders

The REIT Manager regards general meeting of Unitholders as an important channel for the Board to communicate with Unitholders directly. The REIT Manager will at least once in every calendar year convene a general meeting of Unitholders as the annual general meeting. Directors and representative of the external auditor will attend the annual general meeting to answer questions from Unitholders.

### Unitholders' Rights

Pursuant to the Trust Deed, notice of 14 calendar days or 10 clear business days (whichever is the longer) at the least shall be given to Unitholders for every general meeting except that notice of not less than 20 clear business days shall be given to Unitholders for an annual general meeting. The notice shall specify the place, day and hour of meeting and the terms of any resolution to be proposed thereat.

As required by the Trust Deed, a resolution put to the general meeting shall be decided on a poll (except where the chairman of meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be decided by a show of hands) and the result of the poll (or a show of hands in the aforesaid circumstances) shall be deemed to be the resolution of the general meeting.



Not less than two Unitholders registered as together holding not less than 10% of the units of SF REIT for the time being in issue may at any time give written requisition to the REIT Manager to convene a general meeting of Unitholders to consider a proposed resolution. Any such requisition can be sent to the REIT Manager's registered office at Room 2002, 20/F, Lee Garden Six, 111 Leighton Road, Causeway Bay, Hong Kong. The Trustee and the REIT Manager may also at any time convene a general meeting of Unitholders.

### Matters Required to be Decided by Special Resolution

Pursuant to the Trust Deed, certain matters require specific prior approval of Unitholders by way of a special resolution and such matters include:

- (i) changes in REIT Manager's investment policies or strategies for SF REIT;
- (ii) disposal of any real estate forming part of the assets of SF REIT within two years from the date of acquisition;
- (iii) any increase in the rate above the permitted limit or change in the structure of the REIT Manager's fees;
- (iv) any increase in the rate above the permitted limit or change in the structure of the Trustee's fees;
- (v) any modification, alteration or addition to the Trust Deed, save for certain circumstances specified in the Trust Deed;
- (vi) termination or merger of SF REIT;
- (vii) removal of SF REIT's auditor and appointment of other auditor; and
- (viii) removal of the Trustee.

### Other Disclosures

Certain other disclosures as required by the REIT Code and/or the Listing Rules can be found in the "Other Information" section of this report on pages 43 to 45.

### Changes after Financial Year End

This report has taken into account changes occurred since the end of the financial year on 31 December 2021 up to the date of approval of this report by the Board on 17 March 2022.

# Disclosure of Interests

The REIT Code requires connected persons of SF REIT to disclose their interests in units of SF REIT. Further, certain provisions of Part XV of the SFO in relation to disclosure of interests are deemed, pursuant to the Trust Deed, to apply to the REIT Manager, the Directors or the chief executive of the REIT Manager and certain persons interested in units of SF REIT (including short positions).

## Interests of Directors in Units

According to the disclosure of interests to the Hong Kong Stock Exchange and the REIT Manager pursuant to the provisions of Part XV of the SFO and the register required to be kept by the REIT Manager pursuant to the Trust Deed, the Directors or the chief executive of the REIT Manager had the following interests in the units of SF REIT as at 31 December 2021:

Name of Director	Number of units				Total interests held at 30 June 2021	Total interests held at 31 December 2021	Approximate percentage of total units in issue (%) <sup>(3)</sup>
	Personal interests	Family interests	Corporate interests	Other interests			
WANG Wei <sup>(1)</sup>	-	-	280,000,000 <sup>(2)</sup>	-	280,000,000	280,000,000	35.00

Notes:

1. Mr. WANG Wei, Chairman and Non-executive Director, was deemed to be interested in 280,000,000 units through a chain of companies including 深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.), SFH, 深圳順豐泰森控股(集團)有限公司 (Shenzhen S.F. Taisen Holding (Group) Co., Ltd.), SF Holding Limited, Sunny Sail Holding Limited and SF Fengtai Industrial Park Holdings Limited. Please see the "Interests of Unitholders in Units Required to be Disclosed under the SFO" section below for further details.
2. The interests mentioned in Note 1 above were long position interests. There were no short position interests in units of SF REIT held by any Director or the chief executive of the REIT Manager as at 31 December 2021.
3. The approximate percentage was calculated based on a total of 800,000,000 units in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors or the chief executive of the REIT Manager or any of their respective associates had any interests in units (or, as the case may be, shares) or underlying units (or, as the case may be, underlying shares) or debentures (if any) of SF REIT and/or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept by the REIT Manager pursuant to the Trust Deed, or as otherwise notified to the Hong Kong Stock Exchange and the REIT Manager pursuant to the provisions of Part XV of the SFO.

### Interests of Unitholders in Units Required to be Disclosed under the SFO

As at 31 December 2021, other than the Directors or the chief executive of the REIT Manager, each of the following persons had an interest of 5% or more in units of SF REIT as recorded in the register required to be kept by the REIT Manager pursuant to the Trust Deed:

Name of Unitholder	Capacity	Number of units held at 30 June 2021	Number of units held at 31 December 2021	Long position / Short position / Lending pool	Approximate percentage of total units in issue (%) <sup>(3)</sup>
SF Fengtai Industrial Park Holdings Limited <sup>(1)</sup>	Beneficial owner	280,000,000	280,000,000	Long position	35.00
SFH <sup>(1)</sup>	Interest of controlled corporations	280,000,000	280,000,000	Long position	35.00
深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.) <sup>(1)</sup>	Interest of controlled corporations	280,000,000	280,000,000	Long position	35.00
CI Investments Inc.	Investment manager	n/a	40,169,029	Long position	5.02
China Orient Asset Management (International) Holding Limited <sup>(2)</sup>	Interest of controlled corporations	n/a	56,165,000	Long position	7.02

Notes:

- 280,000,000 units were held directly by SF Fengtai Industrial Park Holdings Limited, a direct wholly-owned subsidiary of Sunny Sail Holding Limited. Sunny Sail Holding Limited was a direct wholly-owned subsidiary of SF Holding Limited. SF Holding Limited was a direct wholly-owned subsidiary of 深圳順豐泰森控股(集團)有限公司 (Shenzhen S.F. Taisen Holding (Group) Co., Ltd.) which itself was a direct wholly-owned subsidiary of SFH. SFH is a company listed on the Shenzhen Stock Exchange and 深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.), a company owned as to 99.9% by Mr. WANG Wei, Chairman and Non-executive Director, held 55.07% interests in SFH as at 31 December 2021. Accordingly, 深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.), SFH, 深圳順豐泰森控股(集團)有限公司 (Shenzhen S.F. Taisen Holding (Group) Co., Ltd.), SF Holding Limited and Sunny Sail Holding Limited were all deemed to be interested in the same batch of 280,000,000 units held directly by SF Fengtai Industrial Park Holdings Limited. Mr. WANG Wei, by virtue of his 99.9% interests in 深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.), was also deemed to be interested in the same batch of 280,000,000 units.
- 56,165,000 units were held directly by China Orient Multi-Strategy Master Fund. China Orient Multi-Strategy Master Fund was 100% controlled by China Orient Multi-Strategy Fund and the latter itself was 97.61% controlled by China Orient International Fund Management Limited. China Orient International Fund Management Limited was 100% controlled by China Orient Asset Management (International) Holding Limited. Accordingly, as at 31 December 2021, China Orient Asset Management (International) Holding Limited, China Orient International Fund Management Limited and China Orient Multi-Strategy Fund were all deemed to be interested in the same batch of 56,165,000 units held directly by China Orient Multi-Strategy Master Fund.
- The approximate percentage was calculated based on a total of 800,000,000 units in issue as at 31 December 2021 and rounded down to two decimal places.

Save as disclosed above, as at 31 December 2021, the REIT Manager had not been notified by any person, other than the Directors or the chief executive of the REIT Manager, who had interests or short positions in units or underlying units of SF REIT which were recorded or required to be recorded in the register required to be kept by the REIT Manager pursuant to the Trust Deed.

## Disclosure of Interests

### Interests of the REIT Manager in Units

As at 31 December 2021, the REIT Manager did not hold any interest in units of SF REIT.

### Interests of Other Connected Persons in Units

After making reasonable enquiries and according to the information available to the REIT Manager, as at 31 December 2021, the interests in units of SF REIT held by connected persons (other than substantial holders of SF REIT, Directors or the chief executive of the REIT Manager, the REIT Manager itself, and their respective associates) were as follows:

Name of Unitholder	Number of units held at 30 June 2021	Number of units held at 31 December 2021	Approximate percentage of total units in issue (%) <sup>(2)</sup>
RREEF America LLC <sup>(1)</sup>	8,141,000	6,197,000	0.77
Deutsche Bank AG London	10,000	–	–
Deutsche Bank AG New York <sup>(1)</sup>	n/a	2,602,000	0.33

Notes:

1. RREEF America LLC and Deutsche Bank AG New York are both associates of the Trustee.
2. The approximate percentage was calculated based on a total of 800,000,000 units in issue as at 31 December 2021.

## Issue of New Units

There were no new units of SF REIT issued during the Relevant Period.

## Sale and Purchase of Real Estate

SF REIT did not enter into any sale and purchase of real estate during the Relevant Period.

A summary of all the properties held by SF REIT as at 31 December 2021 is set out in the "Portfolio of Properties" section of this report on page 126.

## Other Investments

SF REIT did not engage or participate in any Property Development and Related Activities (as defined in the REIT Code) nor did it invest in any Relevant Investments (as defined in the REIT Code) during the Relevant Period.

## Major Real Estate Agents and Contractors

During the Reporting Period, the Group did not engage any real estate agent nor was any real estate agency fee incurred. According to the PRC Operations Management Agreements, the PRC Operations Managers provided, among others, leasing services for the Foshan Property and the Wuhu Property. Details of the PRC Operations Management Agreements and property management fees incurred thereunder for the Reporting Period are set out in the "Connected Party Transactions" section of this report.

During the Relevant Period, the value of service contracts of the top five contractors engaged by the Group and the respective services rendered are as follows:

Name	Nature of services	Value of service contracts (HK\$)	Percentage of relevant costs (%)
City Security Company Limited	Security services	8,524,176	45.6%
中航物業管理有限公司	Property management	3,494,809	18.7%
廣州市泰嘉建築工程有限公司	Repairs and maintenance	2,380,254	12.7%
Mansion Fire Services Company Limited	Repairs and maintenance	1,283,800	6.9%
China Taiping Insurance (HK) Company Limited	Insurance services	578,262	3.1%
<b>Total</b>		<b>16,261,301</b>	<b>87.0%</b>

## Other Information

### Major Customers and Suppliers

The aggregate revenue attributable to the Group's five largest customers combined and the largest customer were 82.5% and 29.0%, respectively, of the Group's total revenue for the Relevant Period.

The aggregate purchases attributable to the Group's five largest suppliers combined and the largest supplier were 70.4% and 26.5%, respectively, of the Group's total purchases for the Relevant Period.

The top three customers of the Group for the Relevant Period were S.F. Express (China) Limited, S.F. Express (Hong Kong) Limited and 佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.). These three customers are all wholly-owned subsidiaries of SFH, the controlling unitholder of SF REIT. Mr. WANG Wei, Chairman and Non-executive Director, is a director of, and has shareholding interests in, SFH. Details of the transactions with S.F. Express (China) Limited, S.F. Express (Hong Kong) Limited and 佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.) are set out in the "Connected Party Transactions" section of this report. Save as disclosed above, none of the Directors, their close associates (as defined in the Listing Rules), or any Unitholder (which to the knowledge of the Directors owns more than 5% of the number of issued units of SF REIT) had, at any time during the Relevant Period, a beneficial interest in any of the Group's five largest customers or five largest suppliers.

### Employees

SF REIT is an externally managed REIT and therefore does not employ any staff directly. Directors and employees of the REIT Manager are remunerated by the REIT Manager from its own resources.

### Directors' and Officers' Liability Insurance

The REIT Manager has arranged from its own resources directors' and officers' liability insurance to ensure that directors and officers of the REIT Manager in so serving the REIT Manager as well as SF REIT and its subsidiaries are fairly and sufficiently covered against legal actions and potential liability to third parties.

### Buy-back, Sale or Redemption of Listed Units of SF REIT

There was no buy-back, sale or redemption of any listed units by SF REIT or any of its subsidiaries during the Relevant Period.

### Public Float

As far as the REIT Manager is aware and based on information publicly available, SF REIT has maintained a sufficient public float with not less than 25% of its outstanding units being held in public hands.

### Review of Annual Report

The annual report (including, without limitation, the consolidated financial statements) of SF REIT for the Reporting Period had been reviewed by the Audit Committee and the Disclosures Committee.

### Distribution and Closure of Register of Unitholders

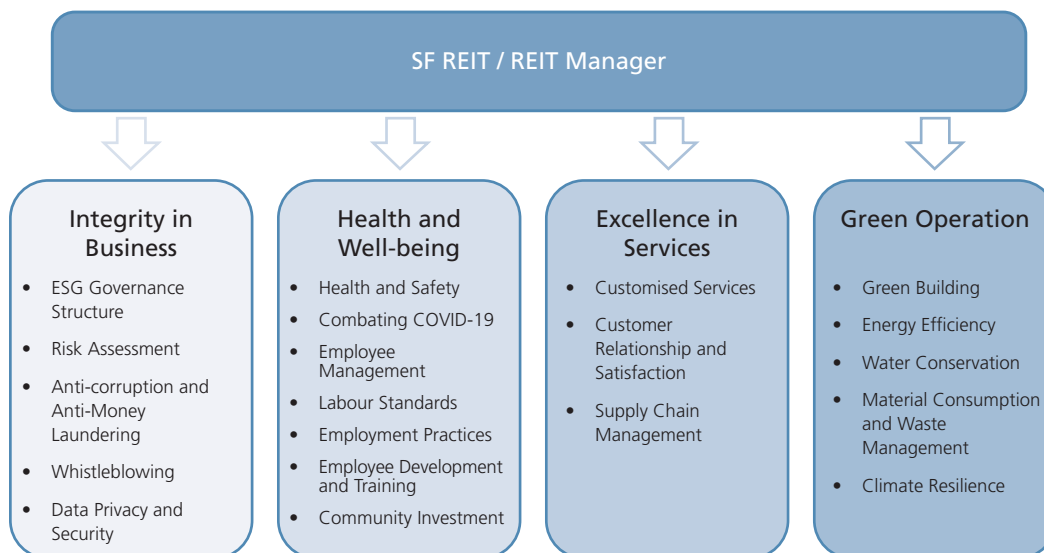
A cash distribution of HK17.24 cents per unit for the Relevant Period will be paid on Friday, 6 May 2022 to those Unitholders whose names appear on the register of Unitholders of SF REIT on Wednesday, 6 April 2022. For the purpose of ascertaining Unitholders' entitlement to this distribution, the register of Unitholders of SF REIT will be closed from Friday, 1 April 2022 to Wednesday, 6 April 2022, both days inclusive, during which period no transfer of units will be registered. In order for Unitholders to qualify for this distribution, all transfer documents accompanied by the relevant unit certificates must be lodged with SF REIT's unit registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 31 March 2022.

# Environmental, Social and Governance Summary

In managing SF REIT, the REIT Manager recognises the importance of integrating ESG principles and values into business decision-making processes to create long-lasting value for our stakeholders and society at large. The Board is responsible for overseeing all ESG-related issues of SF REIT. With a support mandate from the Board, the ESG working group, headed by the Chief Executive Officer and comprising various function heads, sets ESG-related targets and action plans within the strategies determined by the Board and supervises relevant function units to implement such action plans. The ESG working group reviews feedback and data collected by function units, and reports to the Board on the ESG progress.

In formulating the ESG strategies of SF REIT, we will take into consideration stakeholders' opinions which can help us improve the operations, future development and ESG management of SF REIT with a view to enhancing operational efficiency and achieving long-term sustainable success. As such, we maintain open dialogues with our identified key stakeholder groups (i.e., Unitholders, investors, analysts, business partners (including service providers and contractors), tenants, employees, Government and regulators and the community) through different channels. By obtaining a deeper understanding of our stakeholders' needs, concerns and expectations, we can refine our ESG strategies and business management approach to achieve a "win-win" situation between SF REIT and our stakeholders. Facilitated by an independent external consultant, we conducted a materiality assessment of ESG topics in the Reporting Period and have identified and prioritised ESG topics that are relevant to SF REIT and our stakeholders. Apart from key ESG topics identified, through the assessment, we also unveil areas which we will increase our focus in order to pursue continuous improvements on our ESG performance.

For developing our ESG strategies, we have put our focus on four key pillars – Integrity of Business, Health and Well-being, Excellence in Services and Green Operation.





## Environmental, Social and Governance Summary

### Integrity in Business

SF REIT is committed to establishing a sound governance structure and fostering a culture of integrity based on a strong set of moral values, in order to uphold high standards of business ethics and enhance anti-corruption capabilities and awareness of all staff.

From Directors to all level of staff, we emphasise high ethical standards and fair play in our business operations. We enact “zero-tolerance” for bribery, corruption, fraud, money laundering in any form at any level. The gifts and entertainment policy set out in our Compliance Manual stipulates the basic standard of conduct for employees’ business dealings in addition to compliance with applicable laws and regulations. All our employees are strictly prohibited from soliciting and/or receiving bribes and/or any form of advantages from/to our customers, business partners and public body directly or indirectly. Apart from anti-corruption, we also comply with anti-money laundering requirements as set out in our Compliance Manual and carry out due diligence on the Trustee and tenants of SF REIT.

We have adopted a whistleblowing policy to ensure that proper channels are open for employees to report any concerns, including financial misconduct, bribery, forgery or fraud, and misappropriation or misuse of assets etc., in confidence and without fear of victimisation, discrimination or disadvantage. Employees may report their concerns confidentially to the Chief Executive Officer or, if any employee feels the need to report outside the organisation, report directly to the Audit Committee chairman (who is an Independent Non-executive Director) through his personal email.

In order to safeguard data privacy, all our employees are required to strictly observe the confidentiality obligations set forth in their employment contracts. Employees are at all times prohibited from divulging sensitive and confidential information of SF REIT to third parties or make use of such information for personal benefit without authorisation. Any employee in breach of the confidentiality obligations is subject to disciplinary action. Aside from our employees, the property managers appointed for managing SF REIT’s properties are required to comply with stringent policy and procedures to preserve confidentiality and security of customer data and carry out regular testing of the effectiveness of their data system security to minimise the risk of data leakage.

## Environmental, Social and Governance Summary

### Health and Well-being

Employees' well-being and safety are pivotal in our daily operations. We have strictly complied with applicable health and safety laws and regulations and endeavour to provide a healthy and secure environment for all our employees as well as our tenants and other visitors of our premises. Apart from physical safety, we are also concerned about our employees' mental health. We endeavour to offer a diverse, equal and respectful working environment to our employees. We review regularly our remuneration packages to ensure that they remain competitive in the market to recruit and retain the right talents. We also ensure that our working environment is free from any form of discrimination and uphold the principle of equal opportunities regardless of gender, age, family status, disability, race and religion etc. We respect human rights and totally prohibit any form of child or forced labour in our workplace. We enable personal career development within the organisation by offering different work exposures and job rotation and encourage employees to participate in continuous development including internal training programmes and external training courses under employer's subsidies. To motivate employees, we uphold a reward and penalty system. While good performers may be rewarded by salary increment and/or promotion opportunities, employees violating company rules and regulations will be penalised which may include dismissal.

The outbreak of COVID-19 pandemic across the global has brought health and safety under the spotlight. We have closely monitored the pandemic situation throughout the regions we operate and have strictly followed the policies, regulations and preventative measures imposed by local governments to jointly fight against the pandemic. In response to the increasing consciousness of wellness and personal hygiene, we have implemented various prevention procedures and precautionary measures to safeguard the well-being of our employees, tenants and visitors of our premises. At the time of writing this report, different variants of COVID-19 are attacking the community causing serious disruptions to Hong Kong with number of infected cases and even death rate increased at alarming speed. We have stepped up our efforts to combat the spreading of virus including work-from-home arrangements for our employees, set-up of crisis management team in Hong Kong to formulate contingency procedures for handling confirmed cases of COVID-19, offering videos of vacant units to potential tenants to replace on-site viewing, and using online meetings to replace face-to-face meetings with tenants. Together with efforts from the Government of Hong Kong and others in the society, we do our best to combat COVID-19.

SF REIT recognises its corporate social responsibility in serving and contributing to our community. We are planning to develop our community engagement policy and programmes, with an objective to create positive societal impacts.

## Environmental, Social and Governance Summary

### Excellence in Services

We uphold the business philosophy of “customer-first” and hence emphasise the excellence in services to our customers (tenants and visitors) to foster customer satisfaction and loyalty. Our property managers are well experienced and capable of providing property management services at our required standards for ST REIT’s properties in Hong Kong and Mainland China. Through regular tenant meetings, tenant visits and tenant satisfaction survey, we maintain ongoing constructive communications with our tenants in order to collect their feedbacks and understand their concerns. Tenants’ satisfaction is the driving force for us to constantly review and enhance our services to timely match tenants’ evolving needs and expectations. We also carry out stringent suppliers’ selection, assessment and performance review to ensure our selected suppliers are capable of providing high quality services and products, to support the quality of our services.

### Green Operation

While our objective is to maximise returns to Unitholders, we have not underestimated the importance of minimising environmental impacts along our business operations. We put strong emphases on optimising energy efficiency, advocating water conservation, implementing various waste management measures to reduce material consumption, and building our climate resilience capability. We will continue updating our policies and operational guidelines to take into account different environmental protection measures, thereby helping us move further towards green operation. We have also put on our agenda our need to assess climate-related risks and consider their impact on our business operations.

For more information on how we can and what we have done to achieve further development in ESG, please refer to the standalone ESG Report 2021 to be published on websites of SF REIT and Hong Kong Exchanges and Clearing Limited.

# Connected Party Transactions

Pursuant to the REIT Code, connected persons of SF REIT include the REIT Manager, the Trustee, the Directors, substantial holders and their respective associates. Set out below in this section are the connected party transactions entered into by SF REIT and/or its subsidiaries with connected persons during the Relevant Period.

## SF Leasing Framework Agreement

As part of the Group's ordinary and usual course of business, the subsidiaries of SF REIT (as landlords) will from time to time enter into or renew with connected persons of SF REIT (by virtue of their relationship with the REIT Manager or substantial holders of SF REIT) (as tenants) leases, tenancies or licences in respect of the properties of SF REIT (the "**SF Connected Leases**"). On 29 April 2021 (Date of Establishment), the REIT Manager (in its capacity as the manager of SF REIT) had entered into a leasing framework agreement (the "**SF Leasing Framework Agreement**") with 深圳順豐泰森控股(集團)有限公司 (Shenzhen S.F. Taisen Holding (Group) Co., Ltd.), a substantial holder and hence a connected person of SF REIT, to set out the terms and conditions governing the SF Connected Leases. The terms and conditions of each individual SF Connected Lease entered into from time to time shall be in consistent with that of the SF Leasing Framework Agreement. The SF Leasing Framework Agreement is for an initial term commencing from 17 May 2021 (Listing Date) and ending on 31 December 2026 and is automatically renewable for a successive period of five years thereafter (or for any other period which may be shorter or longer than five years as the parties may agree otherwise) subject to compliance with the relevant requirements of the REIT Code and the Listing Rules. DBS Asia Capital Limited (the sole listing agent as named in the Offering Circular) had confirmed that it is a normal business practice for the SF Leasing Framework Agreement to be of such duration.

Under the SF Leasing Framework Agreement, the rent of each SF Connected Lease is determined by reference to the then current open market rent at the commencement date of the term of the relevant SF Connected Lease which would be paid by a willing tenant to a willing landlord for a similar premises in a similar development. In addition, in respect of the SF Connected Leases for the Tsing Yi Property only, the landlord may at the request of a tenant arrange for value-added services (the "**Add-on Services**") such as shuttle bus, cleaning and security guard services, to be provided to such tenant. While these Add-on Services are ancillary and incidental to the underlying SF Connected Leases, the REIT Manager or the landlord does not directly provide such services, but will engage third party service providers or contractors to provide such services. For each of the Add-on Services, the relevant tenant will reimburse the Group the cost for such service and in addition pay an administrative fee of 5% of such cost (and in the case of shuttle bus and security guard services, 2.5% of such cost).

## Connected Party Transactions

Details of the SF Connected Leases entered into during the Relevant Period and rental income and other income (from provision of Add-on Services) incurred are as follows:

Name of tenant	Relationship	Nature of transaction	Rental income and other income (excluding rental deposit) incurred for the Relevant Period	Deposit provided in the form of cash or bank guarantee
			HK\$'000	HK\$'000
S.F. Express (China) Limited	associate of the REIT Manager <sup>(1)</sup> associate of substantial holder <sup>(2)</sup> associate of Director <sup>(3)</sup>	Lease of premises of Tsing Yi Property and provision of Add-on Services	65,180.4	29,038.2
S.F. Express (Hong Kong) Limited	associate of the REIT Manager <sup>(1)</sup> associate of substantial holder <sup>(2)</sup> associate of Director <sup>(3)</sup>	Lease of premises of Tsing Yi Property and provision of Add-on Services	59,808.0	28,602.8
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	associate of the REIT Manager <sup>(1)</sup> associate of substantial holder <sup>(2)</sup> associate of Director <sup>(3)</sup>	Lease of premises of Foshan Property	38,880.5	8,694.7 <sup>(4)</sup>
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	associate of the REIT Manager <sup>(1)</sup> associate of substantial holder <sup>(2)</sup> associate of Director <sup>(3)</sup>	Lease of premises of Wuhu Property	9,079.2	936.5 <sup>(4)</sup>
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	associate of the REIT Manager <sup>(1)</sup> associate of substantial holder <sup>(2)</sup> associate of Director <sup>(3)</sup>	Lease of premises of Wuhu Property	6,300.2	791.8 <sup>(4)</sup>

## Connected Party Transactions

Name of tenant	Relationship	Nature of transaction	Rental income and other income (excluding rental deposit) incurred for the Relevant Period	Deposit provided in the form of cash or bank guarantee
			HK\$'000	HK\$'000
HAVI Logistics Services (Hong Kong) Limited	associate of the REIT Manager <sup>(1)</sup>	Provision of Add-on Services	120.9	–
	associate of substantial holder <sup>(2)</sup>			
	associate of Director <sup>(3)</sup>			
FS Electronic Technology Co., Limited	associate of the REIT Manager <sup>(1)</sup>	Provision of Add-on Services	252.8	–
	associate of substantial holder <sup>(2)</sup>			
	associate of Director <sup>(3)</sup>			
<b>Total</b>			<b>179,622.1</b>	

Notes:

- (1) a fellow subsidiary of the REIT Manager
- (2) a subsidiary of SFH, a substantial holder of SF REIT
- (3) an associate of Mr. WANG Wei, Chairman and Non-executive Director
- (4) deposit provided in the form of bank guarantee

The REIT Manager had applied for, and the SFC had granted, a waiver exempting SF REIT from strict compliance with, in respect of the SF Leasing Framework Agreement, the announcement, circular and independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). Throughout the Relevant Period, the REIT Manager had complied with the conditions of the SFC waiver. The total rental income and other income incurred under the SF Leasing Framework Agreement were HK\$179.6 million for the Relevant Period, which did not exceed the annual cap of rental income and other income of HK\$344.4 million for the financial year ended 31 December 2021.

### PRC Operations Management Agreements

Foshan Runzhong, a subsidiary of SF REIT, had entered into an operations management agreement (the "**Foshan Operations Management Agreement**") with the Foshan Operations Manager in relation to the provision of operations and property management services for the Foshan Property at a monthly management fee equal to 2% of the sum of the monthly rental income and property management fee income (both inclusive of VAT) of Foshan Runzhong. Wuhu Fengtai, another subsidiary of SF REIT, had entered into an operations management agreement (the "**Wuhu Operations Management Agreement**") with the Wuhu Operations Manager in relation to the provision of operations and property management services for the Wuhu Property at a management fee equal to 2% of the sum of the monthly rental income and property management fee income (both inclusive of VAT) of Wuhu Fengtai.

The Foshan Operations Management Agreement and the Wuhu Operations Management Agreement (collectively, the "**PRC Operations Management Agreements**") are each for a term commencing from 17 May 2021 (Listing Date) and ending on 31 December 2023.

The Foshan Operations Manager and the Wuhu Operations Manager are both subsidiaries of SFH (a substantial holder of SF REIT), associates of the REIT Manager and associates of Mr. WANG Wei (Chairman and Non-executive Director). Therefore, the Foshan Operations Manager and the Wuhu Operations Manager are both connected persons of SF REIT.

The REIT Manager had applied for, and the SFC had granted, a waiver exempting SF REIT from strict compliance with, in respect of the PRC Operations Management Agreements, the announcement requirement under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). Throughout the Relevant Period, the REIT Manager had complied with the conditions of the SFC waiver. The total management fees incurred under the PRC Operations Management Agreements for the Relevant Period were HK\$1.0 million, which did not exceed the annual cap of management fees of HK\$4.1 million for the financial year ended 31 December 2021.

## Connected Party Transactions

### Annual Review of Continuing Connected Party Transactions

PricewaterhouseCoopers (the external auditor of SF REIT) was engaged to perform annual review procedures on the continuing connected party transactions conducted under the SF Leasing Framework Agreement and the PRC Operations Management Agreements for the Relevant Period in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers has issued an unqualified letter containing its conclusion in respect of such continuing connected party transactions in accordance with Rule 14A.56 of the Listing Rules (as if such rule were applicable to SF REIT).

The Directors, including the Independent Non-executive Directors, confirmed that they have reviewed the above-mentioned continuing connected party transactions conducted under the SF Leasing Framework Agreement and the PRC Operations Management Agreements for the Relevant Period and that they were satisfied that all such transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

### Other Disclosures under the REIT Code

Pursuant to the REIT Code, services provided to SF REIT by the REIT Manager and the Trustee as contemplated under the constitutive documents shall not be treated as connected party transactions but particulars (such as terms and remuneration) of the relevant services (except where any service transaction has a value of not more than HK\$1 million) shall be disclosed in the next published interim or annual report.

Pursuant to the Trust Deed, Trustee's fee is payable on a semi-annual basis. For the Relevant Period, Trustee's fee of approximately HK\$1.6 million was incurred.



## Connected Party Transactions

Pursuant to the Trust Deed, REIT Manager's fees include base fee payable on a semi-annual basis, variable fee payable on an annual basis and, wherever applicable, acquisition fee and divestment fee. For the Relevant Period, no variable fee, acquisition fee or divestment fee was incurred. For the Relevant Period, a base fee for the REIT Manager of approximately HK\$15.3 million was incurred.

Further details of Trustee's fee and REIT Manager's fee incurred for the Reporting Period are set out in Note 10 and Note 12 to the consolidated financial statements.

# Trustee's Report

## Trustee's Report to Unitholders

We hereby confirm that, in our opinion, the manager of SF Real Estate Investment Trust has, in all material respects, managed SF Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 29 April 2021 (as amended from time to time) for the period from 17 May 2021 to 31 December 2021.

### **DB Trustees (Hong Kong) Limited**

*(in its capacity as trustee of SF Real Estate Investment Trust)*

Hong Kong, 17 March 2022

# Independent Auditor's Report



羅兵咸永道

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SF REAL ESTATE INVESTMENT TRUST

(a collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

##### What we have audited

The consolidated financial statements of SF Real Estate Investment Trust ("**SF REIT**") and its subsidiaries (together the "**Group**") set out on pages 64 to 125, which comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the period from 29 April 2021 (date of establishment) to 31 December 2021;
- the consolidated statement of comprehensive income for the period from 29 April 2021 (date of establishment) to 31 December 2021;
- the consolidated statement of changes in net assets attributable to Unitholders for the period from 29 April 2021 (date of establishment) to 31 December 2021;
- the consolidated distribution statement for the period from 29 April 2021 (date of establishment) to 31 December 2021;
- the consolidated statement of cash flows for the period from 29 April 2021 (date of establishment) to 31 December 2021; and
- the notes to the consolidated financial statements, which include accounting policies and other explanatory information.

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong*  
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## Independent Auditor's Report

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the period from 29 April 2021 (date of establishment) to 31 December 2021 in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”).

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit relates to the valuation of investment properties.

### Key Audit Matter

#### Valuation of Investment Properties

Refer to note 3.6, note 5.1 and note 14 to the consolidated financial statements

The Group's investment properties are the key component of the net asset attributable to the unitholders and their fair value changes may have significant impact on the Group's results for the period from 29 April 2021 (date of establishment) to 31 December 2021. The value of investment properties in the consolidated balance sheet as at 31 December 2021 was HK\$6,542 million, and the fair value gain of investment properties for the period from 29 April 2021 (date of establishment) to 31 December 2021 was HK\$81 million.

The investment properties were appraised by a third party valuer (the "Valuer") with the income capitalization approach as its primary approach with cross-reference to the direct comparison approach, where appropriate. The income capitalization approach was based on the net rental income of a property derived from its existing tenancies with due allowance for the reversionary income potential of the property upon expiry of the existing leases, which was then capitalized to determine the fair value at an appropriate capitalization rate.

We focused on this area because the carrying amounts of the investment properties and the changes in fair value were material to the Group's consolidated financial statements, and the existence of significant estimation uncertainty on the key assumptions in the valuation of the investment properties.

### How our audit addressed the Key Audit Matter

We obtained an understanding of the management's internal control and the assessment process of valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud.

We assessed the Valuer's competence, capabilities and objectivity by understanding the experience, reputation in field and professional certification of the Valuer. We read the terms of engagement of the Valuer with the Group to determine whether there were any matters that may have imposed scope limitation upon their work.

We read the Valuer's report which stated that the valuation was carried out in accordance with the applicable valuation standards.

We checked on a sample basis the data used by the Valuer with the supporting documents, including key terms of the lease agreements, operating expenditure details and the rental income schedules.

## Independent Auditor's Report

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**Key Audit Matter**

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**How our audit addressed the Key Audit Matter**

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We, with the involvement of our internal valuation experts, made inquiries with the Valuer and management about the valuation approach and the key assumptions used, which included term yield, reversionary yield and monthly market rent. We compared the assumptions used by the Valuer against published industry benchmarks and comparable market transactions.

Based on our audit procedures performed, we found the methodology and the key assumptions used by the management in determining the valuation of the investment properties are supportable by the evidence obtained.

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### Other Information

SF REIT Asset Management Limited (the “**Manager**” of SF REIT) is responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Manager and Audit Committee for the Consolidated Financial Statements

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 29 April 2021 (“**Trust Deed**”) and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the “**REIT Code**”).

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## Independent Auditor's Report

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



## Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Yee Mau.

#### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 17 March 2022

# Consolidated Income Statement

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

	Note	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
<b>Revenue</b>	6	<b>244,274</b>
Property operating expenses	8	<b>(49,386)</b>
<b>Net property income</b>		<b>194,888</b>
General and administrative expenses		<b>(29,328)</b>
Fair value changes on investment properties	14	<b>80,838</b>
Other losses – net		<b>(2,924)</b>
<b>Operating profit</b>	10	<b>243,474</b>
Finance income		<b>109</b>
Finance costs	9	<b>(22,693)</b>
<b>Profit before taxation and transactions with Unitholders</b>		<b>220,890</b>
Income tax expenses	11	<b>(46,619)</b>
<b>Profit for the period, before transactions with Unitholders</b>		<b>174,271</b>
Distribution paid to Unitholders		<b>–</b>
<b>Profit for the period, after transactions with Unitholders</b>		<b>174,271</b>
Basic earnings per unit	13	<b>HK21.78 cents</b>
Diluted earnings per unit	13	<b>HK21.78 cents</b>

The Notes on pages 71 to 125 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

	Before transactions with Unitholders <i>HK\$'000</i>	Transactions with Unitholders (Note) <i>HK\$'000</i>	After transactions with Unitholders <i>HK\$'000</i>
<b>For the period from 29 April 2021 (Date of Establishment) to 31 December 2021</b>	–	–	–
Profit for the period	174,271	(176,484)	(2,213)
Other comprehensive income			
<i>Items that may be reclassified subsequently to consolidated income statement:</i>			
Exchange gain on translation of financial statements	2,213	–	2,213
<b>Total comprehensive income for the period from 29 April 2021 (Date of Establishment) to 31 December 2021</b>	176,484	(176,484)	–

Note:

In accordance with the Trust Deed, SF REIT is required to distribute to Unitholders not less than 90% of total distributable income for each financial year. SF REIT also has a limited life and shall continue until 80 years less one day from the Date of Establishment. Accordingly, the units contain contractual obligations of the trust to pay cash distributions and, upon termination of the trust, to share all net cash proceeds derived from the sales on realisation of the assets of the trust less any liabilities, in accordance with their proportionate interests in the trust at the date of the termination. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with IAS 32 "Financial Instruments: Presentation". Consistent with Unitholders' funds being classified as a financial liability, the distribution to Unitholders and change in net assets attributable to Unitholders, excluding issuance of new units, are part of finance costs. Accordingly, the total comprehensive income attributable to Unitholders, after the transactions with Unitholders, is zero.

The Notes on pages 71 to 125 are an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

As at 31 December 2021

	Note	31 December 2021 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	14	6,541,755
Property, plant and equipment	15	14,171
Land use rights		673
Intangible assets		312
		<b>6,556,911</b>
<b>Current assets</b>		
Trade receivables	17	344
Amounts due from related companies	30	6,460
Prepayments and other receivables	18	16,332
Restricted cash	19	32,060
Cash and cash equivalents	19	397,453
		<b>452,649</b>
<b>Total assets</b>		<b>7,009,560</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings	20	35,338
Trade payables	22	1,547
Amounts due to related companies	23,30	87,696
Other payables	24	94,262
Current tax liabilities		1,510
		<b>220,353</b>
<b>Non-current liabilities, excluding net assets attributable to Unitholders</b>		
Borrowings	20	2,106,153
Deferred tax liabilities	21	561,095
Deferred government grants		30,285
		<b>2,697,533</b>
<b>Net current assets</b>		<b>232,296</b>
<b>Total assets less current liabilities</b>		<b>6,789,207</b>
<b>Total liabilities, excluding net assets attributable to Unitholders</b>		<b>2,917,886</b>
<b>Net assets attributable to Unitholders</b>		<b>4,091,674</b>
<b>Units in issue ('000)</b>	29	<b>800,000</b>
<b>Net assets per unit attributable to Unitholders</b>		<b>HK\$5.11</b>

On behalf of the Board of Directors of SF REIT Asset Management Limited, as manager of SF Real Estate Investment Trust

**Hubert CHAK**  
Director

**NG Wai Ting**  
Director

The Notes on pages 71 to 125 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

	Note	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
<b>As at 29 April 2021 (Date of Establishment)</b>		–
Units issued for acquisition of subsidiaries (Note (i))	29	1,394,400
Units issued for initial offering (Note (ii))	29	2,589,600
Units issuance cost		(71,304)
Profit for the period, before transactions with Unitholders		174,271
Appropriation to PRC statutory reserve		2,494
Exchange gain on translation of financial statements		2,213
<b>As at 31 December 2021</b>		<b>4,091,674</b>

Notes:

- (i) The amount represents 280,000,000 units issued at HK\$4.98 per unit to settle part of the asset injection consideration in relation to the acquisition of the sole issued share of Golden Bauhinia Logistics Holdings Limited (“**Golden Bauhinia**”) and the acceptance of certain loans from a related company. Details are set out in Note 25.
- (ii) The amount represents 520,000,000 units issued for initial offering of SF REIT on 17 May 2021 at the offer price of HK\$4.98 per unit.

The Notes on pages 71 to 125 are an integral part of these consolidated financial statements.

# Consolidated Distribution Statement

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

	Note	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 HK\$'000
<b>Profit for the period, before transactions with Unitholders</b>		<b>174,271</b>
<b>Adjustments:</b>		
– Fair value changes on investment properties		<b>(80,838)</b>
– Negative goodwill	10	<b>(395)</b>
– Differences between finance cost and interest paid in accordance with contractual obligations		<b>515</b>
– Deferred tax charges		<b>26,837</b>
– Depreciation and amortisation		<b>996</b>
– Appropriation to PRC statutory reserve		<b>(2,494)</b>
– Listing expenses	10	<b>15,335</b>
– Amortisation of cost of debt		<b>415</b>
– Historical tax losses utilised	21	<b>15,590</b>
– Amortisation of a government grant	10	<b>(429)</b>
– Differences between accounting rental income and contractual rental income		<b>(9,915)</b>
– Net reversal for impairment losses of financial assets	10	<b>(7)</b>
– Amounts not available for distribution (Note (i))		<b>(1,966)</b>
<b>Total distributable income</b>		<b>137,915</b>
<b>Interim distribution, to be paid to the Unitholders</b>		<b>26,697</b>
<b>Final distribution, to be paid to the Unitholders</b>		<b>111,218</b>
		<b>137,915</b>
<b>Percentage of distribution over total distributable income for the period (Note (ii))</b>		<b>100%</b>
<b>Total distributions to Unitholders</b>		<b>137,915</b>
<b>Units in issue as at 31 December 2021 (Thousand)</b>	29	<b>800,000</b>
<b>Distributions per unit to Unitholders:</b>		
– Interim distribution per unit, to be paid to the Unitholders		<b>HK3.34 cents</b>
– Final distribution per unit, to be paid to the Unitholders		<b>HK13.90 cents</b>
<b>Distribution per unit for the period</b>		<b>HK17.24 cents</b>

## Consolidated Distribution Statement

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### Notes:

- (i) Pursuant to the Trust Deed, SF REIT's first distribution comprised of: (i) the distribution for the period from and including 17 May 2021 (the "**Listing Date**") to 30 June 2021; and (ii) the distribution for the six months ended 31 December 2021. The first distribution will be paid on 6 May 2022. Amounts not available for distribution related to profit after tax for the period from 29 April 2021 (Date of Establishment) to 16 May 2021.
- (ii) Pursuant to the Trust Deed, the distributable income is profit for the period, before transactions with Unitholders as adjusted to eliminate the effects of Adjustments (as set out in the Trust Deed) which have been recorded in the consolidated income statement for the relevant year. The REIT Manager's policy is to distribute to Unitholders an amount of no less than 90% of annual distributable income for each financial year save for the first distribution. For the first distribution after listing, the REIT Manager has decided to distribute to Unitholders 100% of the Annual Distributable Income (as defined in the Offering Circular dated 5 May 2021) for the period from the Listing Date to 31 December 2021.

The Notes on pages 71 to 125 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

	Note	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Net cash generated from operations		111,947
Interest received		109
Income tax paid		(3,285)
<b>Net cash generated from operating activities</b>		<b>108,771</b>
<b>Cash flows from investing activities</b>		
Additions of investment properties		(1,967)
Transfer from restricted cash		23,898
Additions of property, plant and equipment		(178)
Acquisition of subsidiaries, net of cash acquired	25(d)	(1,422,300)
<b>Net cash used in investing activities</b>		<b>(1,400,547)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings		1,923,327
Settlement of assigned loans from a related company	25(d)	(2,705,834)
Proceeds from units issued for initial offering		2,589,600
Repayments of bank borrowings		(16,084)
Interest paid		(21,763)
Transaction costs paid in relation to a bank borrowing		(2,122)
Listing expenses paid		(78,302)
<b>Net cash generated from financing activities</b>		<b>1,688,822</b>
<b>Net increase in cash and cash equivalents</b>		<b>397,046</b>
Cash and cash equivalents at 29 April 2021 (Date of Establishment)		–
Translation difference		407
<b>Cash and cash equivalents at end of the period</b>		<b>397,453</b>

The Notes on pages 71 to 125 are an integral part of these consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

## 1. General information

SF Real Estate Investment Trust (“**SF REIT**”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 May 2021. SF REIT is governed by a trust deed dated 29 April 2021 between the SF REIT Asset Management Limited (the “**REIT Manager**”) and DB Trustees (Hong Kong) Limited (the “**Trustee**”) (the “**Trust Deed**”).

The principal activity of SF REIT is investment holding. SF REIT and its subsidiaries (collectively the “**Group**”) are principally engaged in property investments in Hong Kong, and in Foshan and Wuhu of the People’s Republic of China (the “**PRC**”).

The address of the registered office of the REIT Manager and the Trustee is Room 2002, 20/F, Lee Garden Six, 111 Leighton Road, Causeway Bay, Hong Kong, and Level 60, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

This consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group. This consolidated financial statements have been approved for issue by the board of directors of the REIT Manager on 17 March 2022.

## 2. Basis of preparation

The consolidated financial statements for the period from 29 April 2021 (the “**Date of Establishment**”) to 31 December 2021 of SF REIT have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”). In addition, the consolidated financial statements include the relevant provisions of the Trust Deed, the Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by the Securities and Futures Commission of Hong Kong (the “**SFC**”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2021 are applied to the Group in the consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

# Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

## 3. Accounting policies

### 3.1 New standards and amendments to standards

The following new standards and amendments to standards have been issued but are not yet effective and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendment to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 16	Property, plant and equipment – Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 17	Insurance Contracts	1 January 2023
Annual improvements 2018-2020 cycle	IFRS1, IFRS9, IFRS9 and IAS1	1 January 2022

The Group has assessed the impact of adopting these new standards and amendments to standards. According to the preliminary assessment, these standards and amendments to standards are not expected to have a significant impact on the consolidated financial statements of the Group.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 3. Accounting policies (Continued)

#### 3.2 Subsidiaries

##### 3.2.1 Combination

*(a) Basis of consolidation*

The consolidated financial statements include the financial statements of SF REIT and its subsidiaries from 29 April 2021 (Date of Establishment) to 31 December 2021. The results of subsidiaries are consolidated from the date of acquisition, being the date on which SF REIT obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

*(b) Business combination*

The Group applies the acquisition method to account for business combinations. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

# Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

## 3. Accounting policies (Continued)

### 3.2 Subsidiaries (Continued)

#### 3.2.1 Combination (Continued)

##### *(b) Business combination (Continued)*

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in consolidated income statement as a negative goodwill.

### 3.3 Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which has been identified as the REIT Manager, in order to allocate resources to segments and to assess their performance.

### 3.4 Foreign currency translation

#### 3.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK\$, which is the Group's functional and presentation currency.

# Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

## 3. Accounting policies (Continued)

### 3.4 Foreign currency translation (Continued)

#### 3.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement on a net basis within “other losses – net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Currency translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, currency translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and currency translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognised in other comprehensive income.

#### 3.4.3 Group companies

The results and balance sheet of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all currency translation differences are recognised in other comprehensive income.

# Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

## 3. Accounting policies (Continued)

### 3.4 Foreign currency translation (Continued)

#### 3.4.3 Group companies (Continued)

On consolidation, currency translation differences arising from the translation of any net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated currency translation differences are reclassified to the consolidated income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

### 3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the replaced part is derecognised. All other repairs and maintenance are charged to consolidated income statement during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual value, over their estimated useful lives, as follows:

Buildings	47 years
Office equipment, electronic equipment and others	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal of property, plant and equipment are determined by comparing proceeds with carrying amounts and are recognised in the consolidated income statement.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 3. Accounting policies (Continued)

#### 3.6 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields and/or for capital appreciation. Land held under operating leases is accounted for as investment property when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are recorded in the consolidated income statement.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of them can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the property is derecognised.

#### 3.7 Land use rights

Land use rights are up-front payments to acquire long-term interest in land. These payments are stated at cost and charged to the consolidated income statement on a straight-line basis over the remaining period of the lease.

#### 3.8 Intangible assets

##### System software

Acquired system software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using straight-line method over their estimated useful lives of 5 years.

# Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

## 3. Accounting policies (Continued)

### 3.9 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amounts by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 3.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

#### 3.10.1 Financial assets

(a) *Classification*

The Group classifies its financial assets as financial assets measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group subsequently measures all financial assets at amortised cost.



## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 3. Accounting policies (Continued)

#### 3.10 Financial instruments (Continued)

##### 3.10.1 Financial assets (Continued)

###### *(d) Impairment*

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables from third parties and related companies, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

##### 3.10.2 Financial liabilities

Financial liabilities of the Group are financial liabilities at amortised cost, which mainly comprise trade and other payables, amounts due to related companies and borrowings. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in the consolidated income statement for the current period.

#### 3.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days, which is the normal operating cycle of the Group, and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less allowance for impairment. The allowance of impairment is recognised in the consolidated income statement.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised in trade receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis over the respective term of the lease.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 3. Accounting policies (Continued)

#### 3.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, which are subject to an insignificant risk of changes in value.

#### 3.13 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 3.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 3. Accounting policies (Continued)

#### 3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

#### 3.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

#### 3.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where SF REIT's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 3. Accounting policies (Continued)

#### 3.17 Current and deferred income tax (Continued)

##### (b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amounts and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Where investment properties are carried at their fair values in accordance with the accounting policy set out in Note 3.6, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are not discounted.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 3. Accounting policies (Continued)

#### 3.17 Current and deferred income tax (Continued)

##### (c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In these cases, the tax is also recognized in other comprehensive income or directly in equity, respectively.

#### 3.18 Revenue recognition

##### (a) Rental income

Rental income from operating leases where the Group is a lessor is recognised in revenue on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as rental income.

##### (b) Management service income

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

The Group provides property management services to the tenants of the properties. Since customers simultaneously receive and consume the benefits when service is provided, revenue from providing services is recognised over time in the period in which the services are rendered. The Group acts as the principal and is primarily responsible for providing the property management services to the tenants. The Group recognizes the fee received or receivable from tenants as its revenue.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 3. Accounting policies (Continued)

#### 3.18 Revenue recognition (Continued)

##### (c) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

#### 3.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group complies with the conditions associated with the grants.

Government grants relating to expenses are deferred and recognised in the consolidated income statement over the period necessary to match them with the expenses that they are intended to compensate.

Government grants relating to the construction of infrastructure on the acquired land are included in non-current liabilities as deferred income and are credited to the consolidated income statement, on a straight-line basis over the expected lives of the related assets.

#### 3.20 Unitholders' funds as a financial liability

In accordance with the Trust Deed, SF REIT is required to distribute to Unitholders not less than 90% of total distributable income for each financial year. SF REIT also has a limited life and shall continue until 80 years less one day from the Date of Establishment. Accordingly, the units contain contractual obligations of the trust to pay to Unitholders cash distributions and, upon termination of the trust, to share with Unitholders all net cash proceeds derived from the sales on realisation of the assets of the trust less any liabilities, in accordance with their proportionate interests in the trust at the date of the termination. The Unitholders' funds are therefore classified as a financial liability rather than equity in accordance with IAS 32 "Financial Instruments: Presentation". It is shown on the consolidated balance sheet as the net assets attributable to Unitholders.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### 4.1 Market risk

##### 4.1.1 Foreign exchange risk

Foreign exchange risk arises from recognised assets and liabilities in currencies other than the respective functional currencies of the Group's entities.

The property holding company of the Hong Kong property and the property holding companies of the PRC properties operate in their respective jurisdictions with most of the transactions settled in HK\$ and Renminbi ("**RMB**") respectively. The REIT Manager considers that the business is not exposed to significant foreign exchange risk as there are no significant financial assets or liabilities of the Group that are denominated in the currencies other than the respective functional currencies of the Group's entities.

The REIT Manager monitors the foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise. During the period from 29 April 2021 (Date of Establishment) to 31 December 2021, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

##### 4.1.2 Interest rate risk

The Group's interest rate risk mainly arises from long-term borrowings with variable rates. Details of the Group's borrowings have been disclosed in Note 20.

The REIT Manager adopts a proactive interest rate management policy to manage the risk associated with changes in interest rates on the Group's borrowings while seeking to ensure that the ongoing cost of debt remains competitive. Subsequent to the end of the financial period, the Group has entered into interest rate swaps to hedge approximately 47.4% of the variable rate borrowings to mitigate the impact of interest rate volatility.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 4. Financial risk management (Continued)

#### 4.1 Market risk (Continued)

##### 4.1.2 Interest rate risk (Continued)

The contractual maturities of the borrowings and the exposure of the Group's borrowings to interest rate changes at the end of the reporting period are as follows:

	31 December 2021 <i>HK\$'000</i>	Percentage of total borrowings
Variable rate borrowings	1,897,092	88%
Fixed rate borrowings – maturity dates:		
Less than 1 year	34,674	2%
Between 1 and 2 years	34,674	2%
Between 2 and 5 years	175,051	8%
	<b>2,141,491</b>	<b>100%</b>

Profit for the period is sensitive to higher/lower interest expenses on borrowings as a result of changes in interest rates. The table below summarises the impact of an increase/decrease of interest rate on the Group's post-tax profit for the period, holding all other variables constant.

	Impact on post-tax profit for the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
Hong Kong Interbank Offered Rate Increase/decrease by 10 basis points	960



## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 4. Financial risk management (Continued)

#### 4.2 Credit risk

Credit risk arises from the potential failure of the Group's counterparties to settle its financial and contractual obligations to the Group, when they fall due. The Group is exposed to credit risk on its cash and cash equivalents, restricted cash, trade receivables, amounts due from related companies and other receivables.

To manage the credit risk associated with cash and cash equivalents and restricted cash, most of the deposits are placed with certain state-owned banks in the PRC, which are financial institutions with high credit quality, and banks with high credit ratings in Hong Kong.

The REIT Manager monitors the balances of the trade receivables, amounts due from related companies and other receivables on an on-going basis. The REIT Manager assesses the credit worthiness and financial strength of tenants or counterparties as well as considering prior dealing history with them. The REIT Manager also has policies in place to ensure that rental security deposits or bank guarantees are required prior to commencement of leases.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from third parties and related companies.

The Group had no historical credit loss experiences related to trade receivables from third parties, and thus the identified impairment loss on trade receivables from third parties of the Group are minimal.

Given the strong financial capability of related companies, management of the Group does not consider there is a risk of default and does not expect any losses from non-performance by these related companies, and accordingly, no impairment was recognised in respect of the trade receivables from related companies.

The Group's other financial assets carried at amortised cost include other receivables from third parties and related companies and are not originated credit-impaired. The impairment loss of other financial assets carried at amortised cost is measured based on the twelve months expected credit loss.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the consolidated balance sheet.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 4. Financial risk management (Continued)

#### 4.3 Liquidity risk

The REIT Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. In addition, the REIT Manager observes the REIT Code issued by the SFC concerning limits on total borrowings and monitors the level of borrowings of SF REIT to be within the permitted limit.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows which comprise both interest and principal cash flows:

	Less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Trade payables	1,547	–	–	–	1,547
Amounts due to related companies	76,086	–	–	–	76,086
Other payables	90,726	–	–	–	90,726
Borrowings	71,423	69,489	2,148,407	–	2,289,319

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 4. Financial risk management (Continued)

#### 4.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Unitholders.

##### (i) Gearing ratio

The REIT Manager monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings as a percentage of total assets. As at 31 December 2021, the gearing ratio of the Group was as follows:

	<b>31 December 2021</b> <i>HK\$'000</i>
Total borrowings	<b>2,141,491</b>
Total assets	<b>7,009,560</b>
Gearing ratio	<b>30.6%</b>

##### (ii) Loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants.

- (a) the consolidated profit for the period before interest expenses, income tax expense, depreciation and amortisation shall not be less than three times of the consolidated interest expenses;
- (b) the gearing ratio of the Group shall not at any time exceed 50%; and
- (c) the consolidated tangible net worth, which is defined as the consolidated total assets but adjusted by deducting consolidated total liabilities and any amount attributable to goodwill or any other intangible assets, shall not at any time be less than HK\$2,500,000,000.

The Group has complied with these covenants throughout the period.

# Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

## 4. Financial risk management (Continued)

### 4.5 Fair values estimation

IFRS 13 requires disclosure of fair value measurement by three levels of fair value hierarchy.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1, 2 and 3 during the period from 29 April 2021 (Date of Establishment) to 31 December 2021.

As at 31 December 2021, investment properties are classified as level 3 under the fair value hierarchy. There were no changes in valuation techniques for the period from 29 April 2021 (Date of Establishment) to 31 December 2021. Details of the valuation techniques and inputs have been disclosed in Note 14.

The REIT Manager considers that the fair values of the financial assets and financial liabilities recorded in the consolidated financial statements approximate to their carrying amounts, due to their short-term maturities, or that fluctuations of interest rates had no material impact on the fair value measurement of borrowings during the period from 29 April 2021 (Date of Establishment) to 31 December 2021.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 5. Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The REIT Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### 5.1 Critical accounting estimates

Estimates of fair value of investment properties

Investment properties are stated at fair value at the end of the reporting period based on the valuation performed by the independent valuer. Details of assumptions have been disclosed in Note 14.

#### 5.2 Critical accounting judgement

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using fair value model, the REIT Manager reviewed the Group's investment properties and concluded that the investment properties are held under a business model whose objectives are to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the Group has determined that the presumption of the investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised the deferred taxation based on the temporary differences between the tax bases and the fair values of the investment properties and the tax rates expected to apply.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 6. Revenue

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
Rental income	203,646
Management service income	23,883
Others (Note)	16,745
	<b>244,274</b>

Note:

Others represent revenue generated from supplementary services, government rent and provision of electricity and water.

As at 31 December 2021, the analysis of the Group's aggregate future minimum lease receivables on operating leases is as follows:

	As at 31 December 2021 <i>HK\$'000</i>
Within one year	315,200
Between one and two years	322,315
Between two and three years	293,280
Between three and four years	281,920
Between four and five years	86,754
More than 5 years	12,314
	<b>1,311,783</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 7. Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which has been identified as the REIT Manager, in order to allocate resources to segments and to assess their performance.

The Group holds one property company in Hong Kong and two property companies in the PRC, which are principally engaged in property investment. Revenue recognised for the current period is mainly from rental income and management service income from tenants. The REIT Manager evaluates the Group's performance from a geographic perspective and identifies two reportable segments of its business, Hong Kong and the PRC.

The REIT Manager primarily uses a measure of segment revenue and net property income to assess the performance of the operating segments.

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021		
	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>	<b>191,624</b>	<b>52,650</b>	<b>244,274</b>
<b>Net property income</b>	<b>153,760</b>	<b>41,128</b>	<b>194,888</b>
Fair value changes on investment properties	<b>57,178</b>	<b>23,660</b>	<b>80,838</b>
General and administrative expenses			<b>(29,328)</b>
Other losses – net			<b>(2,924)</b>
Finance income			<b>109</b>
Finance costs			<b>(22,693)</b>
Income tax expenses			<b>(46,619)</b>
<b>Profit for the period, before transactions with Unitholders</b>			<b>174,271</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 7. Segment information (Continued)

Depreciation and amortisation of the Hong Kong segment and the PRC segment for the period from 29 April 2021 (Date of Establishment) to 31 December 2021 was approximately HK\$367,000 and approximately HK\$629,000, respectively.

Segment assets and segment liabilities (excluding net assets attributable to Unitholders) are measured in the same way as in the financial statements. Total segment assets and total segment liabilities (excluding net assets attributable to Unitholders) are allocated based on the physical location of the assets and liabilities:

	<b>As at 31 December 2021</b> <i>HK\$'000</i>
Segment assets	
Hong Kong	<b>5,700,110</b>
PRC	<b>956,999</b>
Others	<b>352,451</b>
	<b>7,009,560</b>
Segment liabilities, excluding net assets attributable to Unitholders	
Hong Kong	<b>619,158</b>
PRC	<b>356,928</b>
Others	<b>1,941,800</b>
	<b>2,917,886</b>



## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 8. Property operating expenses

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
Property management fees (Note)	24,592
Rates and government rent	5,493
Repairs and maintenance	5,963
Electricity and water fee	4,533
Other taxes	7,163
Others	1,642
	<b>49,386</b>

Note:

Property management fees include management fees and related expenses of approximately HK\$6,619,000 in relation to our property in Hong Kong, operation management fees of our two properties in Mainland China of approximately HK\$992,000 charged by operations managers, which are subsidiaries of S.F. Holding Co., Ltd, and fees for other property management services.

### 9. Finance costs

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
Interest expenses on bank borrowings	22,278
Amortisation of cost of debt	415
	<b>22,693</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 10. Operating profit

Operating profit is arrived at after charging/(crediting) the following items:

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021	
	HK\$'000	HK\$'000
Auditor's remuneration		
– Audit and audit-related assurance services		2,307
– Other services		327
REIT Manager's fee		15,324
Trustee's fee		1,582
Principal valuer's fee		195
Legal and professional fees		2,134
Bank charges		22
Listing expenses	15,335	
Less: subsidy granted (Note)	(8,000)	7,335
Negative goodwill		(395)
Exchange losses, net		3,966
Amortisation of a government grant		(429)
Net reversal of impairment losses of financial assets		(7)

Note:

The Securities and Futures Commission has administered a Grant Scheme funded by the Government of the Hong Kong Special Administrative Region to provide subsidies for qualified REITs. The Grant Scheme covers eligible expenses incurred in relation to the listing of a REIT which is listed on or after 10 May 2021. The subsidy granted to SF REIT amounted to HK\$8,000,000 has been net-off with listing expenses.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 11. Income tax expenses

During the period from 29 April 2021 (Date of Establishment) to 31 December 2021, Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profit for the period.

During the period from 29 April 2021 (Date of Establishment) to 31 December 2021, the SF REIT's subsidiaries in the PRC had provided for corporate income tax ("CIT") at a standard rate of 25% on the estimated assessable profit for the period. Withholding tax was provided for undistributed profits of subsidiaries in the PRC at a rate of 10%.

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
Current income tax	
– PRC CIT	4,192
Deferred income tax	42,427
	<b>46,619</b>

The differences between the Group's expected income tax expenses, using the Hong Kong profits tax rate, and the Group's income tax expenses for the period were as follows:

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
Profit before taxation and transactions with Unitholders	220,890
Expected tax calculated at the Hong Kong profits tax rate of 16.5%	36,447
Effect of different tax rates	4,728
Income not subject to tax purposes	(18)
Expenses not deductible for tax purposes	4,709
Tax losses not recognized	569
Withholding taxes	1,398
Temporary difference previously not recognised	(1,214)
	<b>46,619</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 12. REIT Manager's fee

Pursuant to the Trust Deed, the REIT Manager is entitled to receive 10% per annum of the base fee distributable income as remuneration (the "Base Fee"). Base fee distributable income is the amount of the total distributable income to Unitholders calculated before accounting for the Base Fee incurred for the period.

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
In the form of cash	15,324

Note:

Pursuant to the Trust Deed, the REIT Manager is entitled to receive the Base Fee commencing from and including the Listing Date.

The REIT Manager's fee will be paid in the form of cash or, at the election of the REIT Manager at its sole discretion, be paid entirely in the form of units or partly in cash and partly in units. If no election is made, the most recent valid election made by the REIT Manager in a prior calendar year (if any) shall apply and, if there is no such prior calendar year election by the REIT Manager, the REIT Manager's fee shall be paid in cash. Since there is no prior calendar year election by the REIT Manager, the REIT Manager's fee is entirely in the form of cash for the current period.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 13. Earnings per unit

The calculation of the basic earnings per unit before transactions with Unitholders is based on the profit for the period before transactions with Unitholders, with the weighted average number of units in issue for the period.

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021
Profit for the period, before transactions with Unitholders (HK\$'000)	174,271
Weighted average number of units for the period (Thousand)	800,000
Basic and diluted earnings per unit	HK21.78 cents

Basic and diluted earnings per unit are the same as the Group did not have any dilutive instruments during the period from 29 April 2021 (Date of Establishment) to 31 December 2021.

### 14. Investment properties

Details of the movements of investment properties during the period from 29 April 2021 (Date of Establishment) to 31 December 2021 are as follows:

	<i>HK\$'000</i>
<b>As at 29 April 2021 (Date of Establishment)</b>	–
Acquisition of subsidiaries	6,446,700
Fair value changes on investment properties	80,838
Additions	1,967
Cost adjustments	(3,240)
Currency translation differences	15,490
<b>As at 31 December 2021</b>	<b>6,541,755</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 14. Investment properties (Continued)

#### (i) Valuation process

The Group's investment properties are measured using the fair value model.

The investment properties were revalued on a market value basis as at 31 December 2021 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Principal Valuer**"), an independent firm of professional qualified valuers and the Principal Valuer of SF REIT.

#### (ii) Valuation techniques

The investment properties were appraised by the Principal Valuer with the income capitalization approach as its primary approach with cross-reference to the direct comparison approach, where appropriate.

The income capitalization approach is based on the net rental income of a property derived from its existing tenancies with due allowance for the reversionary income potential of the property upon expiry of the existing leases, which was then capitalized to determine the fair value at an appropriate capitalization rate.

The valuation technique is summarised as below with its significant unobservable inputs.

Investment properties	Fair value hierarchy	Valuation (HK\$)	Valuation techniques and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Asia Logistics Hub – SF Centre No. 36 Tsing Yi Hong Wan Road (Tsing Yi Town Lot No. 180), Tsing Yi, New Territories, Hong Kong	Level 3	31 December 2021: 5,660,000,000	Income capitalisation method with cross reference to the direct comparison approach	The significant unobservable inputs are	

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 14. Investment properties (Continued)

#### (ii) Valuation techniques (Continued)

Investment properties	Fair value hierarchy	Valuation (HK\$)	Valuation techniques and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
			(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the subject property, was 3.90% as at 31 December 2021.	The higher the term yield, the lower the fair value.
			(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, was 4.40% as at 31 December 2021.	The higher the reversionary yield, the lower the fair value.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 14. Investment properties (Continued)

#### (ii) Valuation techniques (Continued)

Investment properties	Fair value hierarchy	Valuation (HK\$)	Valuation techniques and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
			(3) Monthly market rent	Market rent was determined by the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion, the amount of which was HK\$ 13.14/sq. ft./month as at 31 December 2021.	The higher the monthly market rent, the higher the fair value.
Foshan Guicheng Fengtai Industrial Park The northern side of Guanli Road and the western side of Guihe Road, Nanhai District, Foshan City, Guangdong Province, PRC	Level 3	31 December 2021: 595,261,000 (RMB486,400,000)	Income capitalisation method with cross reference to the direct comparison approach	The significant unobservable inputs are	



## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 14. Investment properties (Continued)

#### (ii) Valuation techniques (Continued)

Investment properties	Fair value hierarchy	Valuation (HK\$)	Valuation techniques and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
			(1)Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the subject property, was 4.75% as at 31 December 2021.	The higher the term yield, the lower the fair value.
			(2)Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, was 5.25% as at 31 December 2021.	The higher the reversionary yield, the lower the fair value.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 14. Investment properties (Continued)

#### (ii) Valuation techniques (Continued)

Investment properties	Fair value hierarchy	Valuation (HK\$)	Valuation techniques and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
			(3) Monthly market rent	Market rent was determined by the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion, the amount of which was RMB40.50/sq.m/month as at 31 December 2021.	The higher the monthly market rent, the higher the fair value.
Wuhu Fengtai Industrial Park Level 3 No. 61 Longteng Road Jiujiang District, Wuhu City, Anhui Province, PRC		31 December 2021: 286,494,000 (RMB234,100,000)	Income capitalisation method with cross reference to the direct comparison approach	The significant unobservable inputs are	

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 14. Investment properties (Continued)

#### (ii) Valuation techniques (Continued)

Investment properties	Fair value hierarchy	Valuation (HK\$)	Valuation techniques and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
			(1)Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the subject property, was 5.00% as at 31 December 2021.	The higher the term yield, the lower the fair value.
			(2)Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, was 5.50% as at 31 December 2021.	The higher the reversionary yield, the lower the fair value.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 14. Investment properties (Continued)

#### (ii) Valuation techniques (Continued)

Investment properties	Fair value hierarchy	Valuation (HK\$)	Valuation techniques and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
			(3) Monthly market rent	Market rent was determined by the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion, the amount of which was RMB23.83/sq.m./month as at 31 December 2021.	The higher the monthly market rent, the higher the fair value.

#### (iii) Restriction on the investment properties

SF REIT acquired the Hong Kong, Foshan and Wuhu properties through business combination on 13 May 2021. SF REIT is prohibited from disposing of its properties for at least two years from the time such properties are acquired, unless the Unitholders approve the proposed disposal by way of special resolution passed in accordance with the Trust Deed.

Approval from the Urban and Rural Planning Bureau in Wuhu is required for SF REIT to dispose the Wuhu property, although such approval is not required for the equity disposal of the property holding company of the Wuhu property (the "Wuhu Company (PRC)") itself. This does not restrict the free negotiability of the equity interest of the Wuhu Company (PRC).

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 14. Investment properties (Continued)

#### (iv) Securities for the Group's borrowings

As at 31 December 2021, certain of the Group's investment properties, amounting to approximately HK\$6,255,261,000, were pledged to secure the Group's borrowings of HK\$2,141,491,000 (Note 20).

### 15. Property, plant and equipment

	Buildings <i>HK\$'000</i>	Office equipment, electronic equipment and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 29 April 2021 (Date of Establishment)</b>	–	–	–
Acquisition of subsidiaries	8,513	6,195	14,708
Additions	–	178	178
Depreciation	(129)	(795)	(924)
Currency translation differences	124	85	209
<b>As at 31 December 2021</b>	<b>8,508</b>	<b>5,663</b>	<b>14,171</b>
<b>As at 31 December 2021</b>			
Cost	9,156	14,835	23,991
Accumulated depreciation	(648)	(9,172)	(9,820)
	<b>8,508</b>	<b>5,663</b>	<b>14,171</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 16. Financial instruments by categories

	31 December 2021 <i>HK\$'000</i>
<b>Financial assets at amortised cost</b>	
Trade receivables (Note 17)	344
Amounts due from related companies (Note 30)	6,460
Deposits and other receivables	1,266
Restricted cash (Note 19)	32,060
Cash and cash equivalents (Note 19)	397,453
<b>Financial liabilities at amortised cost</b>	
Borrowings (Note 20)	2,141,491
Trade payables (Note 22)	1,547
Amounts due to related companies	76,086
Other payables	90,726

### 17. Trade receivables

	As at 31 December 2021 <i>HK\$'000</i>
Trade receivables	
– Third parties	344
– Related companies (Note)	6,407
	6,751

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 17. Trade receivables (Continued)

Note:

Trade receivables represent receivables from third parties and related companies. Trade receivables from related companies are classified as amounts due from related companies in the consolidated balance sheet.

Rental income from investment properties including warehouses, distribution centres and office buildings are generally required to be settled by tenants within 30 days upon issuance of invoice.

As at 31 December 2021, a significant portion of the trade receivables and future trade receivables were pledged to secure the Group's bank borrowings.

As at 31 December 2021, the ageing analysis of trade receivables, based on invoice date, was as follows:

	<b>31 December 2021</b> <i>HK\$'000</i>
Within 30 days	<b>6,751</b>

### 18. Prepayments and other receivables

	<b>31 December 2021</b> <i>HK\$'000</i>
Value added tax ("VAT") recoverable (Note (i))	<b>14,426</b>
Deposits and prepayments (Note (ii))	<b>1,871</b>
Others	<b>35</b>
	<b>16,332</b>

Note:

- (i) Amounts represented mainly the input VAT from the PRC property companies, which could be used as a deduction of output VAT.
- (ii) The carrying amounts of deposits and other receivables approximated to their fair values due to the short-term nature.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 19. Restricted cash and cash and cash equivalents

	<b>31 December 2021</b> <i>HK\$'000</i>
Restricted cash	<b>32,060</b>
Cash and cash equivalents	<b>397,453</b>
	<b>429,513</b>

Cash and cash equivalents and restricted cash are denominated in the following currencies:

	<b>31 December 2021</b> <i>HK\$'000</i>
HK\$	<b>355,768</b>
RMB and others	<b>73,745</b>
	<b>429,513</b>

Restricted cash is pledged to banks to secure certain Group's bank borrowings (Note 20).

### 20. Borrowings

	<b>31 December 2021</b> <i>HK\$'000</i>
Principal amounts of bank borrowings, secured	<b>2,144,399</b>
Capitalisation of transaction costs	<b>(2,908)</b>
	<b>2,141,491</b>
Less: Borrowings with maturities less than one year which were presented under current liabilities	<b>(35,338)</b>
	<b>2,106,153</b>



## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 20. Borrowings (Continued)

Bank borrowings are denominated in the following currencies:

	<b>31 December 2021</b> <i>HK\$'000</i>
HK\$	<b>1,897,092</b>
RMB	<b>244,399</b>
	<b>2,141,491</b>

As at 31 December 2021, the weighted average effective interest rate on bank borrowings by outstanding principal amounts was 1.77% per annum.

The finance cost on borrowings for the period from 29 April 2021 (Date of Establishment) to 31 December 2021 was approximately HK\$22,278,000.

As at 31 December 2021, the Group's investment properties of approximately HK\$6,255,261,000 (Note 14), a significant portion of trade receivables, the rental income generated from the leases of the investment properties during the terms of the borrowings, restricted cash of approximately HK\$32,060,000, equity interests in a certain subsidiary of the Group and certain assets of a certain subsidiary of the Group were pledged to secure the Group's bank borrowings.

As at 31 December 2021, the Group's borrowings were repayable as follows:

	<b>31 December 2021</b> <i>HK\$'000</i>
Within 1 year	<b>35,338</b>
Between 1 and 2 years	<b>35,338</b>
Between 2 and 5 years	<b>2,070,815</b>
	<b>2,141,491</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 21. Deferred tax liabilities

Deferred tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. Deferred tax assets and liabilities as at 31 December 2021, presented in the consolidated balance sheet, after appropriate offsetting are as follows:

	<b>31 December 2021</b> <i>HK\$'000</i>
Deferred tax assets	<b>(84,360)</b>
Deferred tax liabilities	<b>645,455</b>
Deferred tax liabilities, net	<b>561,095</b>

A significant portion of the net deferred tax liabilities are expected to be recovered in more than twelve months after the reporting period.

#### (a) Deferred tax assets

The movement on the deferred tax assets for the period from 29 April 2021 (Date of Establishment) to 31 December 2021 is as follows:

	<b>A government grant</b> <i>HK\$'000</i>	<b>Unused tax losses</b> <i>HK\$'000</i>	<b>Others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>As at 29 April 2021 (Date of Establishment)</b>	–	–	–	–
Acquisition of subsidiaries (Charged)/credited to the consolidated income statement	<b>7,589</b>	<b>92,074</b>	–	<b>99,663</b>
Currency translation differences	<b>(170)</b>	<b>(15,590)</b>	<b>302</b>	<b>(15,458)</b>
<b>As at 31 December 2021</b>	<b>7,571</b>	<b>76,484</b>	<b>305</b>	<b>84,360</b>

Deferred tax assets are recognized for tax losses carry-forward to the extent that realization of the related tax benefit through utilization against future taxable profits is probable. As at 31 December 2021, the Group had unutilized estimated tax losses for which no deferred tax assets have been recognized of HK\$569,000 to carry forward indefinitely for deduction against future taxable profits.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 21. Deferred tax liabilities (Continued)

#### (b) Deferred tax liabilities

The movement on the deferred tax liabilities for the period from 29 April 2021 (Date of Establishment) to 31 December 2021 is as follows:

	Difference between tax book and accounting book in respect of investment properties <i>HK\$'000</i>	Withholding taxes <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 29 April 2021 (Date of Establishment)</b>	–	–	–
Acquisition of subsidiaries	613,667	1,592	615,259
Charged to the consolidated income statement	25,571	1,398	26,969
Currency translation differences	3,227	–	3,227
<b>As at 31 December 2021</b>	<b>642,465</b>	<b>2,990</b>	<b>645,455</b>

### 22. Trade payables

	31 December 2021 <i>HK\$'000</i>
Trade payables	1,547

As at 31 December 2021, the ageing analysis of trade payables, based on invoice date, was as follows:

	31 December 2021 <i>HK\$'000</i>
Within 30 days	1,547

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 23. Amounts due to related companies

	<b>31 December 2021</b> <i>HK\$'000</i>
Payables for construction	<b>1,394</b>
Deposits received from tenants	<b>57,641</b>
Rental collected in advance	<b>11,610</b>
Accruals for REIT Manager's fee and Trustee's fee	<b>13,732</b>
Others	<b>3,319</b>
	<b>87,696</b>

The entire balance of amounts due to related companies except for a balance of \$2,008,000 as at 31 December 2021 is trade in nature.

### 24. Other payables

	<b>31 December 2021</b> <i>HK\$'000</i>
Payables for construction	<b>17,803</b>
Deposits received from tenants	<b>33,217</b>
Rental collected in advance	<b>3,536</b>
Accruals for property management fee	<b>11,148</b>
Provision for withholding tax in relation to the acquisition of subsidiaries	<b>20,734</b>
Accruals for finance costs	<b>1,017</b>
Others	<b>6,807</b>
	<b>94,262</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 25. Business combination

On 29 April 2021, SF Logistics Holdings Limited (“**SF Logistics**”) (as purchaser), a subsidiary of SF REIT, the REIT Manager (in its capacity as the manager of SF REIT), SF Fengtai Industrial Park Holdings Limited (“**SF Fengtai**”) (as seller), SF Holding Limited (“**SF Holding**”) (as guarantor) had entered into a sale and purchase deed in respect of the acquisition by SF Logistics from SF Fengtai of the sole issued share of Golden Bauhinia and the assignment of certain loans owing by Golden Bauhinia and its subsidiaries (collectively, the “**Golden Bauhinia Group**”) from SF Holding to SF Logistics at the asset injection consideration equal to an initial consideration (in the form of cash and issued units) as adjusted by the final payment. The activity of Golden Bauhinia is investment holding and its subsidiaries are principally engaged in property investments in Hong Kong, and in Foshan and Wuhu of the PRC. The acquisition was completed on 13 May 2021 (the “**Date of Acquisition**”).

#### (a) Consideration

The consideration for the acquisition of Golden Bauhinia Group and settlement of assigned loans from a related company are summarised as follows:

	<i>HK\$'000</i>
Cash	<b>4,216,287</b>
Unit issued (Note)	<b>1,394,400</b>
<b>Total consideration</b>	<b>5,610,687</b>

Note:

The amount represents 280,000,000 units of SF REIT at the offer price of HK\$4.98 per unit.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 25. Business combination (Continued)

#### (b) Assets acquired and liabilities recognised at the Date of Acquisition

The fair values of the identifiable assets and liabilities of Golden Bauhinia Group at the Date of Acquisition are summarised as follows:

	<i>HK\$'000</i>
Investment properties	<b>6,446,700</b>
Cash and cash equivalents	<b>88,153</b>
Trade and other receivables (Note (i))	<b>36,191</b>
Amounts due from related companies (Note (i))	<b>18,345</b>
Amounts due to related companies	<b>(2,803,922)</b>
Deferred tax liabilities, net	<b>(515,596)</b>
Borrowings	<b>(233,385)</b>
Other net liabilities (Note (ii))	<b>(131,238)</b>
<b>Net assets acquired</b>	<b>2,905,248</b>

Notes:

- (i) The fair values and the gross contracted amounts of the trade and other receivables and amounts due from related companies at the Date of Acquisition amounted to approximately HK\$54,500,000. The contractual cash flows of those trade and other receivables and amounts due from related companies at the Date of Acquisition were expected to be collected in full.
- (ii) Other net liabilities represent mainly property, plant and equipment, trade and other payables and deferred government grants.

#### (c) Negative goodwill arising from the acquisition

	<i>HK\$'000</i>
Consideration (Note 25(a))	<b>5,610,687</b>
Less: Settlement of assigned loans from a related company	<b>(2,705,834)</b>
Less: Net assets acquired (Note 25(b))	<b>(2,905,248)</b>
<b>Excess of fair value of the identifiable net assets over the consideration</b>	<b>(395)</b>

The difference between the fair value of the identifiable net assets and the consideration of approximately HK\$395,000 was recognised as negative goodwill in the consolidated income statement for the period from 29 April 2021 (Date of Establishment) to 31 December 2021.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 25. Business combination (Continued)

#### (d) Net cash outflow on the acquisition of the Golden Bauhinia Group

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
Cash consideration paid for the acquisition of the Golden Bauhinia Group and settlement of assigned loans from a related company	4,216,287
Less: Cash and cash equivalents acquired (Note 25(b))	(88,153)
<b>Net cash outflow</b>	<b>4,128,134</b>
Represented:	
The acquisition of net assets of the Golden Bauhinia Group	1,510,453
Less: Cash and cash equivalents acquired (Note 25(b))	(88,153)
The acquisition of net assets of the Golden Bauhinia Group, net of cash and cash equivalents acquired	1,422,300
The settlement of assigned loans from a related company	2,705,834
	<b>4,128,134</b>

#### (e) Revenue and profit contributions of the Golden Bauhinia Group

The Golden Bauhinia Group contributed revenue of approximately HK\$244,274,000 and net profit of approximately HK\$174,271,000 to the Group for the period from the Date of Acquisition to 31 December 2021.

If the acquisition had occurred on 29 April 2021, consolidated pro-forma revenue and profit for the period from 29 April 2021 (Date of Establishment) to 31 December 2021 would have been approximately HK\$255,474,000 and approximately HK\$158,471,000, respectively.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 26. Note to the Consolidated Statement of Cash Flows

#### (a) Net cash generated from operations

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
Profit before taxation and transactions with Unitholders	220,890
Adjustments for:	
– Finance income	(109)
– Finance costs	22,693
– Depreciation and amortisation	996
– Negative goodwill	(395)
– Net reversal of impairment losses of financial assets	(7)
– Listing expenses	7,335
– Fair value changes on investment properties	(80,838)
– Amortisation of a government grant	(429)
	170,136
Changes in working capital:	
– Trade and other receivables	19,007
– Amount due from and to related companies	(56,258)
– Trade and other payables	(20,938)
Net cash generated from operations	111,947

#### (b) Major non-cash transactions

- (i) During the period from 29 April 2021 (Date of Establishment) to 31 December 2021, the rental income and management service income from the PRC segment amounting to HK\$49,834,000 is a non-cash activity, such receipts were paid directly into the rental collection accounts with certain restrictions which are classified as restricted cash in the Consolidated Balance Sheet.
- (ii) 280,000,000 units of SF REIT amounting to HK\$1,394,000,000 were issued to SF Fengtai as part of the consideration for the acquisition of Golden Bauhinia Group. Details of the acquisition are set out in Note 25.



## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 26. Note to the Consolidated Statement of Cash Flows (Continued)

#### (c) Reconciliation of liabilities arising from financing activities

	Bank borrowings <i>HK\$'000</i>	Accruals for finance costs (included in other payables) <i>HK\$'000</i>	Listing expenses payable (included in other payables) <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 29 April 2021 (Date of Establishment)</b>	–	–	–	–
<b>Cash flows</b>				
Proceeds from bank borrowings	1,923,327	–	–	1,923,327
Repayments of bank borrowings	(16,084)	–	–	(16,084)
Interest paid	–	(21,763)	–	(21,763)
Listing expenses paid	–	–	(78,302)	(78,302)
<b>Non-cash movements</b>				
Acquisition of subsidiaries	233,385	499	–	233,884
Capitalisation of transaction costs	(3,323)	–	71,304	67,981
Charged to consolidated income statement	415	22,278	7,335	30,028
Currency translation difference	3,771	3	–	3,774
<b>As at 31 December 2021</b>	<b>2,141,491</b>	<b>1,017</b>	<b>337</b>	<b>2,142,845</b>

### 27. Capital commitments

As at 31 December 2021, the Group had no outstanding capital commitments.

### 28. Contingent liabilities

As at 31 December 2021, the Group had no contingent liabilities.

### 29. Units in issue

	Number of units	HK\$'000
<b>As at 29 April 2021 (Date of Establishment)</b>	–	–
Units issued for acquisition of subsidiaries (Note (i))	280,000,000	1,394,400
Units issued for initial offering (Note (ii))	520,000,000	2,589,600
<b>As at 31 December 2021</b>	<b>800,000,000</b>	<b>3,984,000</b>

Notes:

- (i) SF REIT acquired the sole issued share of Golden Bauhinia and accepted the assignment of certain loans owing by Golden Bauhinia and its subsidiaries to SF Holding on 13 May 2021, the consideration of which was in the form of issuance of 280,000,000 units and cash to SF Fengtai. Please refer to Note 25 for details.
- (ii) On 17 May 2021, SF REIT issued 520,000,000 units at HK\$4.98 per unit for initial offering.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 30. Connected party transactions and significant related party transactions and balances

#### (a) Nature of relationship with connected/related companies

The table set forth below summarises the names of the connected persons/related companies, as defined in the REIT Code/IAS 24 (Revised) "Related Party Disclosures", and nature of their relationship with the Group as at 31 December 2021:

Connected persons/related companies	Relationship with the Group
SF REIT Asset Management Limited	(i), (ii), (iv) and (v)
DB Trustees (Hong Kong) Limited	(i)
S.F. Express (China) Limited	(i), (ii), (iii), (iv) and (v)
S.F. Express (Hong Kong) Limited	(i), (ii), (iii), (iv) and (v)
佛山順豐速運有限公司(Foshan S.F. Express Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
安徽順豐速運有限公司(Anhui S.F. Express Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
安徽順和快運有限公司(Anhui Shunhe Freight Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
HAVI Logistics Services (Hong Kong) Limited	(i), (ii), (iii), (iv) and (v)
FS Electronic Technology Co., Limited	(i), (ii), (iii), (iv) and (v)
佛山市豐預泰產業園運營管理有限公司(Foshan Fengyutai Industrial Park Operation Management Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
合肥市捷泰企業管理有限公司(Hefei Jietai Enterprise Management Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
SF Fengtai Industrial Park Holdings Limited	(i), (ii), (iii), (iv) and (v)
深圳市豐泰工程項目管理有限公司(Shenzhen Fengtai Project Management Co., Ltd.)	(i), (ii), (iii), (iv) and (v)

Notes:

- (i) These companies are considered as connected persons as defined in the REIT Code.
- (ii) These companies are considered as related companies as defined in IAS 24 (Revised) "Related Party Disclosures".
- (iii) These companies are the associates of the REIT Manager, which are the fellow subsidiaries of the REIT Manager.
- (iv) These companies are the associates of the substantial holder of SF REIT, which are the subsidiaries held by S.F. Holding Co., Ltd..
- (v) These companies are the associates of Mr. WANG Wei, Chairman and Non-executive Director.
- (vi) "Associate" has the meaning ascribed to it under the REIT Code.

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 30. Connected party transactions and significant related party transactions and balances (Continued)

#### (b) Transactions with connected persons/related companies

Save as disclosed elsewhere in the consolidated financial statements, during the period from 29 April 2021 (Date of Establishment) to 31 December 2021, the following transactions were carried out with connected persons/related companies in the ordinary course of business and on normal commercial terms. The terms were mutually agreed by both parties:

##### (i) Rental income

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
S.F. Express (China) Limited	55,688
S.F. Express (Hong Kong) Limited	53,832
佛山順豐速運有限公司(Foshan S.F. Express Co., Ltd.)	33,809
安徽順豐速運有限公司(Anhui S.F. Express Co., Ltd.)	6,828
安徽順和快運有限公司(Anhui Shunhe Freight Co., Ltd.)	5,523
	<b>155,680</b>

##### (ii) Management service income

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
S.F. Express (China) Limited	7,863
S.F. Express (Hong Kong) Limited	7,595
佛山順豐速運有限公司(Foshan S.F. Express Co., Ltd.)	1,675
安徽順豐速運有限公司(Anhui S.F. Express Co., Ltd.)	399
安徽順和快運有限公司(Anhui Shunhe Freight Co., Ltd.)	559
	<b>18,091</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 30. Connected party transactions and significant related party transactions and balances (Continued)

#### (b) Transactions with connected persons/related companies (Continued)

##### (iii) Other revenue

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
S.F. Express (China) Limited	7,250
S.F. Express (Hong Kong) Limited	3,737
佛山順豐速運有限公司(Foshan S.F. Express Co., Ltd.)	379
安徽順豐速運有限公司(Anhui S.F. Express Co., Ltd.)	1,153
安徽順和快運有限公司(Anhui Shunhe Freight Co., Ltd.)	378
FS Electronic Technology Co., Limited	254
HAVI Logistics Services (Hong Kong) Limited	122
	<b>13,273</b>

##### (iv) Operations managers' fees

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
佛山市豐預泰產業園運營管理有限公司 (Foshan Fengyutai Industrial Park Operation Management Co., Ltd.)	709
合肥市捷泰企業管理有限公司 (Hefei Jietai Enterprise Management Co., Ltd.)	283
	<b>992</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 30. Connected party transactions and significant related party transactions and balances (Continued)

#### (b) Transactions with connected persons/related companies (Continued)

##### (v) REIT Manager's fee

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
SF REIT Asset Management Limited	<b>15,324</b>

##### (vi) Trustee's fee

	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
DB Trustees (Hong Kong) Limited	<b>1,582</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 30. Connected party transactions and significant related party transactions and balances (Continued)

#### (c) Balances with connected persons/related companies

##### (i) Amounts due from related companies

	31 December 2021 <i>HK\$'000</i>
S.F. Express (China) Limited	3,360
S.F. Express (Hong Kong) Limited	1,018
佛山順豐速運有限公司(Foshan S.F. Express Co., Ltd.)	1,261
安徽順豐速運有限公司(Anhui S.F. Express Co., Ltd.)	382
安徽順和快運有限公司(Anhui Shunhe Freight Co., Ltd.)	124
FS Electronic Technology Co., Limited	195
HAVI Logistics Services (Hong Kong) Limited	65
SF REIT Asset Management Limited	55
	<b>6,460</b>

##### (ii) Amounts due to related companies

	31 December 2021 <i>HK\$'000</i>
S.F. Express (China) Limited	34,084
S.F. Express (Hong Kong) Limited	32,985
佛山順豐速運有限公司(Foshan S.F. Express Co., Ltd.)	1,837
安徽順豐速運有限公司(Anhui S.F. Express Co., Ltd.)	168
安徽順和快運有限公司(Anhui Shunhe Freight Co., Ltd.)	177
佛山市豐預泰產業園運營管理有限公司 (Foshan Fengyutai Industrial Park Operation Management Co., Ltd.)	102
合肥市捷泰企業管理有限公司 (Hefei Jietai Enterprise Management Co., Ltd.)	41
深圳市豐泰工程項目管理有限公司 (Shenzhen Fengtai Project Management Co., Ltd.)	1,394
SF Fengtai Industrial Park Holdings Limited	2,008
DB Trustees (Hong Kong) Limited	1,402
SF REIT Asset Management Limited	13,498
	<b>87,696</b>

## Notes to the Consolidated Financial Statements

For the Period from 29 April 2021 (Date of Establishment) to 31 December 2021

### 31. Principal subsidiaries

SF REIT held the following principal subsidiaries as at 31 December 2021:

Name	Place of establishment and kind of legal entity/place of operations	Principal activities	Particulars of issued share capital/registered capital	Interest held
<i>Directly held:</i>				
SF Logistics Holdings Limited	British Virgin Islands, limited liability company/Hong Kong	Investment holding	HK\$1	100%
<i>Indirectly held:</i>				
Goodear Development Limited	British Virgin Islands, limited liability company/Hong Kong	Property investment	US\$1	100%
佛山市潤眾工業投資有限公司(Foshan Runzhong Industrial Investment Co., Ltd.)	PRC, limited liability company/PRC	Property investment	RMB129,292,900	100%
蕪湖市豐泰電商產業園管理有限公司(Wuhu Fengtai E-commerce Industrial Park Management Co., Ltd.)	PRC, limited liability company/PRC	Property investment	RMB90,909,100	100%

### 32. Approval of the consolidated financial statements

The consolidated financial statements were approved by the board of directors of the REIT Manager on 17 March 2022.

# Portfolio of Properties

Property	Location	Expiry of lease/ land use right	Type	GLA (sq.m.)	Occupancy as at 31 December 2021	WALE (by GLA) as at 31 December 2021	Appraised value as at 31 December 2021 (HK\$ million)
Asia Logistics Hub – SF Centre	No. 36 Tsing Yi Hong Wan Road (Tsing Yi Town Lot No. 180), Tsing Yi, New Territories, Hong Kong	2061	Logistics property	160,322	92.6%	3.9 years	5,660.0
Foshan Guicheng Fengtai Industrial Park	The northern side of Guanli Road and the western side of Guihe Road, Nanhai District, Foshan City, Guangdong Province, PRC	2049	Logistics property	84,951	100.0%	4.3 years	595.3
Wuhu Fengtai Industrial Park	No. 61 Longteng Road Jiujiang District, Wuhu City, Anhui Province, PRC	2066	Logistics property	62,382	98.5%	4.0 years	286.5
<b>Total</b>				<b>307,655</b>	<b>95.8%</b>	<b>4.1 years</b>	<b>6,541.8</b>



# Valuation Report



仲量聯行

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Company Licence No.: C-030171

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公司牌照號碼：C-030171

Our ref: CON100494102RE-2

17 February 2022

The Board of Directors

**SF REIT Asset Management Limited**

**(in its capacity as manager of SF Real Estate Investment Trust, the "REIT Manager")**

Room 2002, 20/F, Lee Garden Six,  
111 Leighton Road,  
Causeway Bay,  
Hong Kong

**DB Trustees (Hong Kong) Limited**

**(in its capacity as trustee of SF Real Estate Investment Trust, the "Trustee")**

Level 60, International Commerce Centre,  
1 Austin Road West, Kowloon,  
Hong Kong

Dear Sirs,

Re: **Valuation of three properties located in Hong Kong and the People's Republic of China (the "PRC", excluding, for the purpose of this document only, Hong Kong, Macau and Taiwan).**

## Instructions, Purpose and Valuation Date

In accordance with the instructions of the REIT Manager to value Asia Logistics Hub – SF Centre, Foshan Guicheng Fengtai Industrial Park and Wuhu Fengtai Industrial Park (hereafter together referred to as the "**Properties**") held by SF Real Estate Investment Trust ("**SF REIT**") and its subsidiaries (hereafter together referred as the "**SF REIT Group**") in Hong Kong and the PRC, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**we**") confirms that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair values of the Properties as at 31 December 2021 (the "**valuation date**") for accounting reference purpose.

# Valuation Report

## Basis of Valuation

Our valuation was carried out on a fair value basis. Fair value is defined as “the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date”. In arriving at our opinion, we have also made reference to the IFRS 13 – Fair Value Measurement which is effective on or after 1 January 2013.

## Valuation Assumptions

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We are not aware of any significant overseas taxes expected to be charged in respect of the Properties.

## Method of Valuation

We have valued the Properties by the Income Capitalisation Method, which is appropriate for valuations of properties with stable and uniform tenancy terms, by taking into account the net rental income of the Properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

## Valuation Standards

In valuing the Properties, we have complied with all requirements contained in paragraph 6.8 of the Code on Real Estate Investment Trust (the “**REIT Code**”) published by the Securities and Futures Commission, the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

### Source of Information

We have relied to a very considerable extent on the information given by the REIT Manager and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

### Document and Title Investigation

For properties in Hong Kong, we have been shown copies of floor plans and summary of tenancy details and we have obtained relevant information from the Land Registry, the Buildings Department, and relevant government departments and have made relevant enquiries.

We have been shown copies of title documents including State-owned Construction Land Use Rights Grant Contracts, State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and other official plans relating to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the Properties in the PRC and any material encumbrance that might be attached to the Properties or any tenancy amendment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the REIT Manager. We have also sought confirmation from the REIT Manager that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

### Area Measurement and Inspection

We have not carried out detailed measurements to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the Properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the Properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services. No details of investigations, notices, pending litigation, breaches of law or title defects have been identified by us.

## Valuation Report

Inspection of the Properties was carried out in January 2022 and February 2022 by Mr. Mr. Kevin Chu and Mr. Samuel Feng. Mr. Kevin Chu is a Chartered Surveyor and a member of RICS and HKIS and has 21 years' experience in the valuation of properties in Hong Kong. Mr. Samuel Feng has more than 3 years' experience in the valuation of properties in the PRC and holds a master degree of Engineering Management from the University of Melbourne.

We have had no reason to doubt the truth and accuracy of the information provided to us by the REIT Manager. We have also sought confirmation from the REIT Manager that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

### Currency

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HKD) and Renminbi (RMB) in respect of the Properties in Hong Kong and the PRC respectively.

### Commentary on the Impact of COVID-19 on Valuation

We are instructed to provide our opinion of values as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world.

As of the valuation date, China's economy has recovered and most business activities have been back to normal. We also note that market activity and market sentiment in this particular market sector remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of these properties under frequent review.

### Valuer's Interest

We hereby confirm that:

- We have no present or prospective interest in the Properties and we are independent of SF REIT, the Trustee and the REIT Manager.
- We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of property.
- The valuations have been prepared on a fair and unbiased basis.

### Valuation

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,

For and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Eddie T. W. Yiu**

*MRICS MHKIS RPS (GP)*

*Senior Director*

Our ref: CON100494102RE-2

## Valuation Report

### SUMMARY OF VALUES

#### Part A: Property held by SF REIT Group in Hong Kong

No.	Property	Fair value in existing state as at the valuation date <i>HKD</i>	Interest attributable to SF REIT Group	The fair value attributable to SF REIT Group as at the valuation date <i>HKD</i>
1.	Asia Logistics Hub – SF Centre No. 36 Tsing Yi Hong Wan Road (Tsing Yi Town Lot No. 180) Tsing Yi New Territories Hong Kong (亞洲物流中心—順豐大廈)	5,660,000,000	100%	5,660,000,000
<b>Total:</b>		<b>5,660,000,000</b>	<b>–</b>	<b>5,660,000,000</b>

## Part B: Properties held by SF REIT Group in the PRC

No. Property	Fair value in existing state as at the valuation date <i>RMB</i>	Interest attributable to SF REIT Group	The fair value attributable to SF REIT Group as at the valuation date <i>RMB</i>
2. Foshan Guicheng Fengtai Industrial Park located at the northern side of Guanli Road and the western side of Guihe Road Nanhai District Foshan City Guangdong Province The PRC (佛山桂城豐泰產業園)	486,400,000	100%	486,400,000
3. Wuhu Fengtai Industrial Park No. 61 Longteng Road Jiujiang District Wuhu City Anhui Province The PRC (蕪湖豐泰產業園)	234,100,000	100%	234,100,000
<b>Total:</b>	<b>720,500,000</b>	-	<b>720,500,000</b>

## Valuation Report

### VALUATION CERTIFICATE

#### Part A: Property held by SF REIT Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 December 2021 <i>HKD</i>
1.	Asia Logistics Hub – SF Centre No. 36 Tsing Yi Hong Wan Road Tsing Yi New Territories Hong Kong (亞洲物流中心—順豐大廈)	The property comprises a 15-storey (plus 1 basement level) ramp-access warehouse building with car parking and loading facilities which was completed in 2014.	As at the valuation date, portions of the property with a total gross lettable area of approximately 1,597,399.44 sq.ft.(or approximately 148,403.41 sq.m) were rented to various lessees for various terms with the expiry dates between 30 April 2022 and 30 April 2026 with a total monthly rent of approximately HKD20,393,262 before profit tax, exclusive of management fees, Government rent, rates, water and electricity charges and other outgoings.	5,660,000,000  (As at the valuation date, based on the aforesaid total monthly rent, the net yield of the property is approximately 4.33%.)
	Tsing Yi Town Lot No. 180	The property is served by 10 lifts and various staircases. Vehicular access to the ninth floor is via a ramp leading from Tsing Yi Hong Wan Road.  The registered site area of the property is approximately 258,334 sq.ft. (or approximately 24,000 sq.m.) The property has a total gross floor area of approximately 1,046,049.54 sq.ft. (or approximately 97,181.28 sq.m.). The usage, gross floor area and gross lettable area details of the property are set out in note 5.  The property is held under New Grant No. 21139 for a term of 50 years commencing from 14 January 2011 subject to a payment of annual Government rent of 3% of the prevailing rateable value of the property.	The remaining portion of the property was vacant as at the valuation date.	



Notes:

1. The property is situated on the western side of Tsing Yi Hong Wan Road close to its junction with Tsing Ko Road to the south, next to the Container Terminal No. 9. The locality is characterized by medium-rise industrial/warehouse buildings of various ages and open storage areas.
2. Pursuant to the land search record as at the 25 January 2022 (“**Land Search Record**”), the registered owner of the property is Goodear Development Limited.
3. Pursuant to the land search record, the property is subject to, inter alia, the following encumbrances:
  - a. Consent letter from District Lands Office/Tsuen Wan and Kwai Tsing Lands Department vide Memorial No. 12081301280014 dated 19 July 2012;
  - b. Certificate of Compliance from District Lands Office/Tsuen Wan and Kwai Tsing Lands Department vide Memorial No. 15120200020016 dated 9 June 2015;
  - c. Lease Modification by way of No Objection Letter with Plan from District Lands Officer, Tsuen Wan and Kwai Tsing vide Memorial No. 17111700790014 dated 2 November 2017;
  - d. 15 sub-tenancy agreement/tenancy agreements/supplementary tenancy agreement/memorandum for Leases/memorandum for sub-lease/novation agreement/memorandum for tenancy agreements for various terms of 2 to 6 years with various lease expiry dates between 30 April 2022 and 29 February 2028; and
  - e. Mortgage (for all monies) and Assignment of Leases and Rentals in favour of DBS Bank Ltd. vide Memorial Nos. 21052500520029 and 21052500520033 respectively both dated 12 May 2021.
4. According to the Approved Tsing Yi Outline Zoning Plan No. S/TY/31 gazetted on 2 July 2021, the property is zoned as “Other Specified Uses (Container Related Uses)”.
5. According to the approved building plans and information provided by the REIT Manager, the approximate gross floor area and gross lettable area of the property are set out as below:

Usage	Gross Floor Area (sq.ft.)	Gross Floor Area (sq.m.)	Gross Lettable Area (sq.ft.)	Gross Lettable Area (sq.m.)
Warehouse/Car parking (Basement Floor to 8th Floor)	864,201.79	80,287.05	1,558,505.26	144,790.02
Ancillary Office (9th Floor to 14th Floor)	181,847.75	16,894.23	167,187.27	15,532.22
<b>Total:</b>	<b>1,046,049.54</b>	<b>97,181.28</b>	<b>1,725,692.53</b>	<b>160,322.24</b>

Note:

In Hong Kong, certain common areas such as driveways and underground car parks are non-accountable gross floor area under Building (Planning) Regulations. However, those common areas are included in the computation of Gross Lettable Area of similar nature of property. Hence, the Gross Lettable Area is greater than Gross Floor Area.

## Valuation Report

6. Our valuation has been made on the following basis and analysis of the Tenancy Agreements and the tenancy profile provided by the REIT Manager:

### Occupancy Profile

Type	Gross Lettable Area (sq.ft.)	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area
Leased	1,597,399.44	148,403.41	92.6%
Vacant	128,293.09	11,918.83	7.4%
<b>Total:</b>	<b>1,725,692.53</b>	<b>160,322.24</b>	<b>100.0%</b>

### Lease Expiry Profile

Expiry year	Gross Lettable Area (sq.ft.)	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (HKD) <sup>Note</sup>	% to Total Monthly Rent
2022	106,428.00	9,887.50	6.2%	1,596,420	7.8%
2023	92,629.21	8,605.54	5.4%	1,421,218	7.0%
2024	260,740.80	24,223.64	15.1%	3,769,543	18.5%
2026	1,137,601.43	105,686.73	65.9%	13,606,081	66.7%
<b>Total:</b>	<b>1,597,399.44</b>	<b>148,403.41</b>	<b>92.6%</b>	<b>20,393,262</b>	<b>100.0%</b>

### Lease Duration Profile

Lease Duration	Gross Lettable Area (sq.ft.)	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (HKD) <sup>Note</sup>	% to Total Monthly Rent
1 – 2 years	71,169.00	6,611.82	4.1%	1,067,535	5.2%
2 – 3 years	287,085.80	26,671.17	16.6%	4,164,718	20.4%
3 – 4 years	44,173.00	4,103.81	2.6%	662,595	3.3%
4 – 5 years	1,194,971.64	111,016.61	69.3%	14,498,414	71.1%
<b>Total:</b>	<b>1,597,399.44</b>	<b>148,403.41</b>	<b>92.6%</b>	<b>20,393,262</b>	<b>100.0%</b>

Note:

The monthly rent is exclusive of management fee, Government rent, rates, water and electricity charges and other outgoings.

7. In the valuation of this property, we have made the following assumptions:
- Goodear Development Limited legally holds the ownership of the property;
  - The property can be freely transferred, leased, mortgaged or otherwise disposed of by Goodear Development Limited with no outstanding payable fees or monies; and
  - The Tenancy Agreements mentioned above are legally binding, valid and enforceable.

8. In valuing the property, we have adopted Income Capitalisation Method. The key parameters used in the Income Capitalisation Method are summarised below:

Usage	Monthly Market Rent (HKD/sq.ft.) <sup>Note</sup>	Term Yield	Reversionary Yield
Car parking	2.8	3.90%	4.40%
Warehouse	13.0 – 16.5	3.90%	4.40%
Ancillary Office	13.0	3.90%	4.40%

Note:

The monthly rent is exclusive of management fee, Government rent, rates, water and electricity charges and other outgoings, and with 3 months rent-free period for 3 years' tenancy.

9. Market Overview

Hong Kong is a metropolitan city and special administrative region of the People's Republic of China, located on the south-eastern Pearl River Delta of the South China Sea, with a land area of approximately 2,755 square kilometers. It is currently a core city in the Greater Bay Area. With its irreplaceable location in Asia, Hong Kong is known as one of the most significant financial centers and commercial ports in the world. The city has constructed world-class infrastructures to enhance its status in the logistics industry. Despite the long-lasting COVID-19 pandemic, Hong Kong's Gross Domestic Product ("GDP") increased by 6.4%<sup>1</sup> in real terms in 2021, which was contributed by the sustained solid growth in local consumption and external demand. It is worth mentioning that the positive growth has reversed the declines in the previous two years.

Kwai Tsing district possesses a strategic position in Hong Kong, benefiting from a wide range of logistics facilities, including Container Terminal 9, which connects to other busiest ports in the world, and Tsing Ma Bridge that links to the airport. As a result, Kwai Tsing is one of the most attractive destinations for logistics enterprises considering its mature infrastructure and convenient transportation network.

On the supply side, the supply of modern logistics property is insufficient in Kwai Tsing district, and even in Hong Kong, mainly because of the shortage of land resources. There would be no other projects in the pipeline expected for completion except the Goodman Westlink project in Tuen Mun before 2023. On the demand side, overall speaking, although the negative impacts of the COVID-19 pandemic remained, the leasing market was supported by the strong local demand and started to pick up some momentum since the middle of 2021, up to the end of 2021. Hence, without any new supply, the vacancy rate dropped from 2.8% in 2020 to 1.5% in 2021.

On the other hand, the landlords generally took a firmer stance on asking rents as leasing demand from occupiers picked up. Besides, they expected a more positive outlook for prime warehouses, especially those who enjoy lower vacancy rates than the market average. Therefore, the rental level is anticipated to increase.

Given the above supply-demand situation, the rental level of modern logistics property witnessed a positive growth of 4.7% in 2021. In the future, the pandemic may dampen the occupiers' leasing sentiment. Nonetheless, demand from e-commerce and logistics tenants may be boosted by home isolation caused by the pandemic. Hence, the rental growth is likely to remain a stable uptrend.

As for investment activity, investors' appetite towards industrial properties remained strong, although investment momentum dwindled. Even though the uncertainties caused by the adjustments on Hong Kong's political environment, trade tensions between the US and the PRC and the outbreak of COVID-19 were increasing in the past few years, the market recorded numbers of transactions engaging well-known participants such as China Resources, Tang Shing Bor, etc.

<sup>1</sup> Preliminary figure estimated by the Census and Statistics Department of the HKSAR

## Valuation Report

### VALUATION CERTIFICATE

#### Part B: Properties held by SF REIT Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 December 2021 <i>RMB</i>
2.	Foshan Guicheng Fengtai Industrial Park located at the northern side of Guanli Road and the western side of Guihe Road Nanhai District Foshan City Guangdong Province The PRC (佛山桂城豐泰產業園)	<p>The property occupies a parcel of land with a site area of approximately 59,600.36 sq.m., which had been developed into an industrial park in one phase.</p> <p>The property comprises a 3-storey distribution center with ramp access and an ancillary building which were completed in 2021.</p> <p>The property has a total gross floor area of approximately 82,552.24 sq.m. The usage, gross floor area and gross lettable area details of the property are set out in note 4.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 20 July 2049 for industrial use.</p>	As at the valuation date, the property with a total gross lettable area of approximately 84,950.76 sq.m. was rented to various lessees for a term with the expiry date on 30 April 2026 with a monthly rent of approximately RMB3,613,351 before profit tax, inclusive of management fees but exclusive of value-added tax, water and electricity charges and other outgoings.	<p>486,400,000</p> <p>(As at the valuation date, based on the aforesaid total monthly rent, the net yield of the property is approximately 8.91%)</p>

Notes:

1. The property is situated on the northern side of Guanli Road close to its junction with Guihe Road to the east. The locality is characterized by industrial/warehouse buildings of various age.
2. Pursuant to 2 Real Estate Title Certificates – Yue (2021) Fo Nan Bu Dong Chan Quan Di Nos. 0028927 and 0028928, the property with a total gross floor area of approximately 82,552.24 sq.m. is owned by Foshan Runzhong (佛山潤眾工業投資有限公司), “Foshan Company (PRC)”. The relevant land use rights have been granted to Foshan Company (PRC) for a term of 50 years expiring on 20 July 2049 for industrial use.
3. According to the information provided by the REIT Manager, the approximate gross floor area and gross lettable area of the property are set out as below:

Usage	Gross Floor Area (sq.m.)	Gross Lettable Area (sq.m.)
Distribution Center	82,009.08	84,950.76
Ancillary	543.16	
<b>Total:</b>	<b>82,552.24</b>	<b>84,950.76<sup>Note</sup></b>

Note:

According to the approved building plan and information provided by the REIT Manager, the Gross Lettable Area of the property includes: i) the areas of facilities and structures such as material handling system that are partially or completely not required to be recorded on the title certificates; and ii) portion of the vacant site area. These facilities, structures and vacant site area can be used and leased out. As a result, the Gross Lettable Area of the property is higher than Gross Floor Area in this circumstance.

4. Our valuation has been made on the following basis and analysis of the Tenancy Agreements and the tenancy profile provided by the REIT Manager:

**Occupancy Profile**

Type	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area
Leased	84,950.76	100%
Vacant	0.00	0%
<b>Total:</b>	<b>84,950.76</b>	<b>100%</b>

# Valuation Report

## Lease Expiry Profile

Expiry year	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (RMB) <sup>Note</sup>	% to Total Monthly Rent
2026	84,950.76	100%	3,613,351	100%
<b>Total:</b>	<b>84,950.76</b>	<b>100%</b>	<b>3,613,351</b>	<b>100%</b>

## Lease Duration Profile

Lease Duration	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (RMB) <sup>Note</sup>	% to Total Monthly Rent
5 years	84,890.76	100%	3,613,351	100%
<b>Total:</b>	<b>84,890.76</b>	<b>100%</b>	<b>3,613,351</b>	<b>100%</b>

Note:

The monthly rent is inclusive of management fees but exclusive of value-added tax, water and electricity charges and other outgoings.

5. In the valuation of this property, we have made the following assumptions:
  - a. Foshan Runzhong legally holds the ownership rights of the property and the title certificates mentioned above are in full force and effect;
  - b. The property can be freely transferred, leased, mortgaged or otherwise disposed of by Foshan Runzhong with no outstanding payable fees or monies; and
  - c. The Tenancy Agreements mentioned above are legally binding, valid and enforceable.
6. A summary of major certificates/approvals is shown as follows:
  - a. Real Estate Title Certificate Yes

7. In valuing the property, we have adopted Income Capitalisation Method. The key parameters used in the Income Capitalisation Method are summarised below:

Usage	Monthly Market Rent (RMB/sq.m.) <sup>Note</sup>	Term Yield	Reversionary Yield
Logistics	40.4	4.75%	5.25%
Ancillary retail	45.6	4.75%	5.25%

Note:

The monthly market rent is inclusive of management fees but exclusive of value-added tax, water and electricity charges and other outgoings.

8. Market Overview

Foshan is a prefecture-level city located in the central part of Guangdong Province and the western side of the Pearl River Delta Economic Zone, covering approximately 3,848 square kilometers and has an urban population of over 10 million in 2021. It has cultivated a developed economy mainly supported by its solid foundation in private manufacturing. The city is now well-known in China as a manufacturing centre in the western Greater Bay Area. Foshan is the main interchange for railway routes to link Western Guangdong Province with Guangzhou to the east and Hong Kong to the south. With advantageous proximity to Guangzhou, Foshan can integrate its development of infrastructure and logistics facilities with Guangzhou. During the "14th Five-Year Plan", Foshan City will continue to build as the national logistics hub, transforming and upgrading the logistics markets of the city from a traditional logistics industry to a modern intelligent logistics-based industry. From 2015 to 2021, the city saw a stable GDP increase at a Compound Annual Growth Rate ("CAGR") of approximately 6.1%.

The annual supply of modern logistics property in Foshan is fluctuating in recent years. Since the land price in Guangzhou has increased rapidly, developers shift their attention to satellite cities such as Foshan, which results in supply influx. Based on logistics property land transactions and long-term logistics planning, the aggregated logistics property supply in 2022-2023 will come to over 3 million sq.m. More investment are expected to be introduced to the city in the foreseeable future.

From the demand side, the development of the manufacturing industry represents an important part of leasing demand. A growing number of manufacturing enterprises were transferred from Guangzhou to Foshan, where the rental level was lower with equally comprehensive logistics and transportation facilities. Several renowned developers such as GLP had entered Foshan's logistics market since 2007. 3PLs, e-commerce and retailers were the top three tenant types for Grade A warehouse in Foshan. Planned as a national logistics hub, Foshan is expected to enlarge the market size of modern logistics property for the expansion of e-commerce. By the end of 2021, the average rent of modern logistics property in Foshan was approximately RMB1.20 per sq.m. per day and is expected to climb up in the foreseeable future. Besides, Foshan saw a few sales transactions in recent years, as investors were attracted to this fast-growing logistics market.

## Valuation Report

### VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 December 2021 <i>RMB</i>
3.	Wuhu Fengtai Industrial Park No. 61 Longteng Road Jiujiang District Wuhu City Anhui Province The PRC (蕪湖豐泰產業園)	<p>The property occupies 2 parcels of land with a total site area of approximately 108,390.90 sq.m., which had been developed into an industrial park in one phase.</p> <p>The property comprises 2 one-storey warehouses, a two-storey distribution center, a research and development building and 2 ancillary buildings which were completed in 2019.</p> <p>The property has a total gross floor area of approximately 62,304.16 sq.m. The usage, gross floor area and gross lettable area details of the property are set out in note 4.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 20 January 2066 for warehouse use.</p>	<p>As at the valuation date, portions of the property with a total gross lettable area of approximately 61,463.05 sq.m. were rented to various lessees for various terms with the expiry dates between 28 February 2022 and 30 April 2026 with a total monthly rent of approximately RMB1,471,018 before profit tax inclusive of management fees but exclusive of value-added tax, water and electricity charges and other outgoings.</p>	<p>234,100,000</p> <p>(As at the valuation date, based on the aforesaid total monthly rent, the net yield of the property is approximately 7.54%.)</p>



Notes:

1. The property is situated on the western side of Longteng Road and the northern side of Yongzhen Road. The locality is characterized by industrial/warehouse buildings of various ages.
2. Pursuant to 2 State-owned Construction Land Use Rights Grant Contracts – Nos. Jiu 201547 and Jiu 201615, the land use rights of 2 parcels of land with a total site area of approximately 108,390.90 sq.m. were contracted to be granted to Wuhu Fengtai E-commerce Industrial Park Asset Management Co., Ltd. (蕪湖市豐泰電商產業園管理有限公司, “Wuhu Company (PRC)”) for a term of 50 years for warehouse use commencing from the land delivery date. The total land premium was RMB39,250,000.
3. Pursuant to 6 Real Estate Title Certificates – (Wan 2019) Wu Hu Shi Bu Dong Chan Quan Di Nos. 0705212 to 0705217, the property with a total gross floor area of approximately 62,304.16 sq.m. is owned by Wuhu Company (PRC). The relevant land use rights have been granted to Wuhu Company (PRC) for a term of 50 years expiring on 20 January 2066 for warehouse use.
4. According to the information provided by the REIT Manager, the approximate gross floor area and gross lettable area of the property are set out as below:

<b>Usage</b>	<b>Gross Floor Area (sq.m.)</b>	<b>Gross Lettable Area (sq.m.)</b>
Warehouse	29,972.98	30,562.49
Distribution Center	22,567.77	23,730.00
Ancillary Office and Dormitory	9,763.41	8,089.76
<b>Total:</b>	<b>62,304.16</b>	<b>62,382.25</b> <sup>Note</sup>

Note:

According to the approved building plan and information provided by the REIT Manager, the Gross Lettable Area of the property includes: i) the areas of facilities and structures such as material handling system that are partially or completely not required to be recorded on the title certificates; and ii) portion of the vacant site area. These facilities, structures and vacant site area can be used and leased out. As a result, the Gross Lettable Area of the property is higher than Gross Floor Area in this circumstance.

## Valuation Report

5. Our valuation has been made on the following basis and analysis of the Tenancy Agreements and the tenancy profile provided by the REIT Manager:

### Occupancy Profile

Type	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area
Leased	61,463.05	98.5%
Vacant	919.20	1.5%
<b>Total:</b>	<b>62,382.25</b>	<b>100.0%</b>

### Lease Expiry Profile

Expiry year	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (RMB) <sup>Note</sup>	% to Total Monthly Rent
2022	4,101.55	6.6%	80,491	5.5%
2023	1,202.67	1.9%	25,942	1.8%
2024	534.53	0.8%	10,499	0.7%
2026	55,624.30	89.2%	1,354,086	92.0%
<b>Total:</b>	<b>61,463.05</b>	<b>98.5%</b>	<b>1,471,018</b>	<b>100.0%</b>

### Lease Duration Profile

Lease Duration	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (RMB) <sup>Note</sup>	% to Total Monthly Rent
Up to 1 year	1,339.63	2.1%	24,745	1.7%
1 – 2 years	1,146.35	1.8%	24,325	1.7%
2 – 3 years	3,352.77	5.4%	67,862	4.6%
4 – 5 years	55,624.30	89.2%	1,354,086	92.0%
<b>Total:</b>	<b>61,463.05</b>	<b>98.5%</b>	<b>1,471,018</b>	<b>100.0%</b>

Note:

The monthly market rent is inclusive of management fees but exclusive of value-added tax, water and electricity charges and other outgoings.

6. In the valuation of this property, we have made the following assumptions:
- Wuhu Fengtai legally holds the ownership rights of the property and the title certificates mentioned above are in full force and effect;
  - The property can be freely transferred, leased, mortgaged or otherwise disposed of by Wuhu Fengtai with no outstanding payable fees or monies; and
  - The Tenancy Agreements mentioned above are legally binding, valid and enforceable.
7. A summary of major certificates/approvals is shown as follows:
- State-owned Construction Land Use Rights Grant Contract Yes
  - Real Estate Title Certificate Yes
8. In valuing the property, we have adopted Income Capitalisation Method. The key parameters used in the Income Capitalisation Method are summarised below:

Usage	Monthly Market Rent (RMB/sq.m.) <sup>Note</sup>	Term Yield	Reversionary Yield
Warehouse	20.2	5.00%	5.50%
Distribution Center	30.5	5.00%	5.50%
Ancillary Office and Dormitory	18.6	5.00%	5.50%

Note:

The monthly market rent is inclusive of management fees but exclusive of value-added tax, water and electricity charges and other outgoings.

## Valuation Report

### 9. Market Overview

Wuhu is a prefectural level city located in the south-eastern part of Anhui Province and is one of the 27 cities of the core zone of the Yangtze River Delta. The city borders Hefei, the provincial capital of Anhui, to the northwest, and Nanjing, the provincial capital of Jiangsu, to the northeast. As of 2021, the city covered approximately 6,026 square kilometers and had a population of approximately 3.64 million permanent residents. Wuhu is known as a national integrated transportation hub with the largest transit port in Anhui Province and one of the busiest ports in the Yangtze River Delta. There are seven high-speed railway stations in Wuhu which connect Wuhu to all major cities in East China. From 2015 to 2021, Wuhu's GDP increased at a CAGR of approximately 9.1%.

Although with an advantageous location in the Yangtze River Delta, Wuhu was not set as a key investment destination by logistics developers before 2015. As such, the Grade A logistics supply was limited. As the transportation condition improved and the Wuhu Economic Development Area and Jiujiang Economic Development Area's strategic plan were set, Wuhu was recognized with great potential for the modern logistics industry and thereafter attracted major developers to enter the market. It is estimated that almost 700,000 sq.m. new supply will be completed in the city during 2022-2023. Traditional manufacturing industries stand as a major tenant, yet such demand is predicted to have weaker rental capacity and ask for less rental area. Modern logistics demand such as e-commerce, 3PL and retails derived from the integration of Yangtze River Delta are enlarging their leasing area and are supposed to provide sustainable drivers for Wuhu's market.

The rental level of Wuhu's modern logistics property has been remaining uptrend since 2015 yet was interrupted by the COVID-19 pandemic. By the end of 2021, Wuhu saw an overall rent at around RMB0.80 per sq.m. per day. Meanwhile, the market achieved a vacancy rate of around 10.0%. As the aforementioned new drivers grow up and the negative effect from the pandemic is weakening, it is expected that the rent growth will be positive again. As the logistics market was getting mature, Wuhu saw a few sales transactions in recent years.

# Performance Table

	<b>As at 31 December 2021</b>
Net assets attributable to Unitholders	HK\$4,091.7 million
Net assets per unit attributable to Unitholders	HK\$5.11
	<b>For the period from 17 May 2021 (Listing Date) to 31 December 2021</b>
The highest traded unit price	HK\$4.74
The highest premium of the traded unit price to net assets per unit attributable to Unitholders <sup>(ii)</sup>	N/A
The lowest traded unit price	HK\$3.24
The highest discount of the traded unit price to net assets per unit attributable to Unitholders	36.7%
Net yield per unit <sup>(iii)</sup>	4.95%
Annualised net yield per unit	7.90%

Notes:

- (i) No comparative figures have been presented as this is the first set of SF REIT's financial results since its listing on 17 May 2021.
- (ii) The highest traded unit price is lower than the net assets per unit attributable to Unitholders as at 31 December 2021. Accordingly, the highest premium of the traded unit price to net assets per unit attributable to Unitholders has not been recorded.
- (iii) The net yield per unit is calculated based on the distribution per unit for the period from 17 May 2021 (Listing Date) to 31 December 2021 over the closing price of HK\$3.48 per unit.

# Glossary

Unless the context otherwise requires, the following expressions shall have the following meanings:

<b>Add-on Services</b>	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
<b>Audit Committee</b>	the audit committee established by the Board
<b>associate(s)</b>	has the meaning ascribed to this term under the REIT Code
<b>Board</b>	board of directors of the REIT Manager
<b>Chairman</b> or <b>Board Chairman</b>	chairman of the Board
<b>Chief Executive Officer</b> or <b>CEO</b>	chief executive officer of the REIT Manager
<b>Competing Businesses</b>	has the meaning ascribed to this term under the “Corporate Governance Report” section of this report
<b>Compliance Manual</b>	the compliance manual adopted by the REIT Manager for the management and operation of SF REIT
<b>connected person(s)</b>	has the meaning ascribed to this term under the REIT Code
<b>controlling unitholder</b>	has the meaning ascribed to this term under the REIT Code
<b>COVID-19</b>	coronavirus disease 2019
<b>Date of Establishment</b>	29 April 2021, the date on which SF REIT was constituted by the Trust Deed
<b>Director(s)</b>	director(s) of the REIT Manager
<b>Disclosures Committee</b>	the disclosures committee established by the Board
<b>ESG</b>	Environmental, Social and Governance
<b>Executive Director</b> or <b>ED</b>	executive director of the REIT Manager

<b>Foshan Operations Management Agreement</b>	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
<b>Foshan Operations Manager</b>	佛山市豐預泰產業園運營管理有限公司 (Foshan Fengyutai Industrial Park Operation Management Co., Ltd.), a company established in PRC and a wholly-owned subsidiary of SFH
<b>Foshan Property</b>	the property owned by SF REIT in Foshan, Mainland China, and its exact location is set out in the “Portfolio of Properties” section of this report
<b>Foshan Runzhong</b>	佛山市潤眾工業投資有限公司 (Foshan Runzhong Industrial Investment Co., Ltd.), a company established in PRC and a wholly-owned subsidiary of SF REIT
<b>GLA</b>	gross lettable area
<b>Group</b>	SF REIT and its subsidiaries
<b>HIBOR</b>	Hong Kong Interbank Offered Rate
<b>HK\$ or HKD</b>	Hong Kong dollar, the lawful currency of Hong Kong
<b>Hong Kong</b>	Hong Kong Special Administrative Region of PRC
<b>Hong Kong Stock Exchange</b>	The Stock Exchange of Hong Kong Limited
<b>Independent Non-executive Director(s) or INED</b>	independent non-executive director(s) of the REIT Manager
<b>Internal Auditor</b>	has the meaning ascribed to this term under the “Corporate Governance Report” section of this report
<b>Investment Committee</b>	the investment committee established by the Board
<b>Listing Date</b>	17 May 2021, the date of listing of the units of SF REIT on the Main Board of the Hong Kong Stock Exchange
<b>Listing Rules</b>	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

## Glossary

<b>Mainland China</b>	for the purpose of this report only, PRC (excluding Hong Kong, Macao Special Administrative Region and Taiwan)
<b>Nomination and Remuneration Committee</b>	the nomination and remuneration committee established by the Board
<b>Non-executive Director(s) or NED</b>	non-executive director(s) of the REIT Manager
<b>Offering Circular</b>	offering circular dated 5 May 2021 in respect of the global offering of units of SF REIT
<b>Offshore Loans</b>	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
<b>Onshore Loan(s)</b>	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
<b>PRC</b>	The People’s Republic of China
<b>PRC Operations Management Agreements</b>	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
<b>PRC Operations Managers</b>	collectively, the Foshan Operations Manager and the Wuhu Operations Manager
<b>Proceeds</b>	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
<b>REIT(s)</b>	real estate investment trust(s)
<b>REIT Code</b>	Code on Real Estate Investment Trusts issued by the SFC
<b>REIT Manager</b>	SF REIT Asset Management Limited, as the manager of SF REIT
<b>Relevant Period</b>	the period from 17 May 2021 (Listing Date) to 31 December 2021
<b>Reporting Period</b>	the period from 29 April 2021 (Date of Establishment) to 31 December 2021



<b>Revolving Loan</b>	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
<b>RMB</b>	Renminbi, the lawful currency of PRC
<b>SF Connected Leases</b>	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report and <b>SF Lease</b> refers to any of them
<b>SF Leasing Framework Agreement</b>	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
<b>SF REIT</b>	SF Real Estate Investment Trust, a collective investment scheme authorised under section 104 of the SFO and constituted by the Trust Deed
<b>SFC</b>	Securities and Futures Commission of Hong Kong
<b>SFH</b>	S.F. Holding Co., Ltd. (順豐控股股份有限公司), a company established in PRC and whose shares are listed on the Shenzhen Stock Exchange, and is a controlling unitholder of SF REIT
<b>SFH Group</b>	SFH and its subsidiaries
<b>SFO</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>sq.m.</b>	square metre
<b>substantial holder(s)</b>	has the meaning ascribed to this term under the REIT Code
<b>Term Loan</b>	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
<b>Trust Deed</b>	trust deed dated 29 April 2021 entered into between the Trustee and the REIT Manager constituting SF REIT
<b>Trustee</b>	DB Trustees (Hong Kong) Limited, as the trustee of SF REIT

## Glossary

<b>Tsing Yi Property</b>	the property owned by SF REIT in Tsing Yi, Hong Kong, and its exact location is set out in the “Portfolio of Properties” section of this report
<b>unit(s)</b>	unit(s) of SF REIT (unless the context requires otherwise)
<b>Unitholder(s)</b>	holder(s) of unit(s) of SF REIT
<b>VAT</b>	value added tax
<b>WALE</b>	weighted average lease expiry
<b>Wuhu Fengtai</b>	蕪湖市豐泰電商產業園管理有限公司 (Wuhu Fengtai E-commerce Industrial Park Management Co., Ltd.), a company established in PRC and a wholly-owned subsidiary of SF REIT
<b>Wuhu Operations Management Agreement</b>	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
<b>Wuhu Operations Manager</b>	合肥市捷泰企業管理有限公司 (Hefei Jietai Enterprise Management Co., Ltd.), a company established in PRC and a wholly-owned subsidiary of SFH
<b>Wuhu Property</b>	the property owned by SF REIT in Wuhu, Mainland China, and its exact location is set out in the “Portfolio of Properties” section of this report
<b>%</b>	per cent.

# Corporate Information

## Board of Directors of REIT Manager

### Chairman and Non-executive Director

Mr. WANG Wei

### Executive Director

Mr. Hubert CHAK (*Chief Executive Officer*)

### Non-executive Directors

Ms. NG Wai Ting  
Mr. YANG Tao  
Mr. LEONG Chong

### Independent Non-executive Directors

Mr. TAN Huay Lim  
Mr. HO Lap Kee, MH, JP  
Mr. CHAN Ming Tak, Ricky  
Mr. KWOK Tun Ho, Chester  
Mr. Michael Tjahja SUSANTO

## Responsible Officers of REIT Manager

Mr. Hubert CHAK  
Mr. HONG Kam Kit, Eddie  
Mr. YEUNG Tak Him, Clarence

## Company Secretary of REIT Manager

Ms. LEUNG Wai Yee

## Trustee

DB Trustees (Hong Kong) Limited

## Principal Valuer

Jones Lang LaSalle Corporate Appraisal and Advisory  
Limited

## Auditor

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## Hong Kong Legal Advisor

Baker & McKenzie

## Registered Office of REIT Manager

Room 2002, 20/F, Lee Garden Six  
111 Leighton Road  
Causeway Bay  
Hong Kong

## Unit Registrar and Transfer Office

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Telephone: (852) 2980 1333  
Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

## Investor's Enquiry

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## Website

[www.sf-reit.com](http://www.sf-reit.com)

## Listing of the Units

Hong Kong Stock Exchange (stock code: 2191)

