



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

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



**2023 Interim Results
Presentation**

2023 Interim Results

Results Highlights

Portfolio Update

Sustainability Initiatives

Market Outlook & Strategies

Appendix

Results Highlights

1H 2023 : Growth amid challenges

Revenue ↑ NPI ↑ DPU ↑

despite challenging macro environment and fast pace of US rates hike



**Proactive
Risk Management**



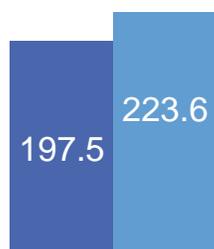
**Clear
Growth Strategy**

Financial Highlights - Income



Revenue
HK\$ 223.6M
↑ 13.2%

2022 1H 2023 1H

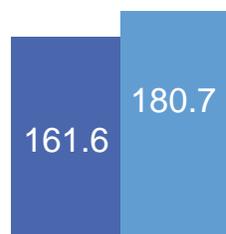


REVENUE (HK\$M)



Net Property Income
HK\$180.7M
↑ 11.8%

2022 1H 2023 1H

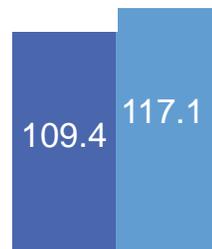


NET PROPERTY INCOME (HK\$M)



Distribution¹
HK\$117.1M
↑ 7.1%

2022 1H 2023 1H

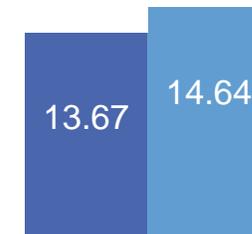


DISTRIBUTION (HK\$M)



DPU¹
HK 14.64 cents
↑ 7.1%

2022 1H 2023 1H



DPU (HK CENTS)

Note:¹The adjustment on REIT Manager's fee to be paid in the form of new units is included.

²All figures as at 30 June 2023, unless stated otherwise.

Financial Highlights - Income



Higher income

Improved YoY occupancy



New acquisition

Contribution from Changsha



Strategic partner

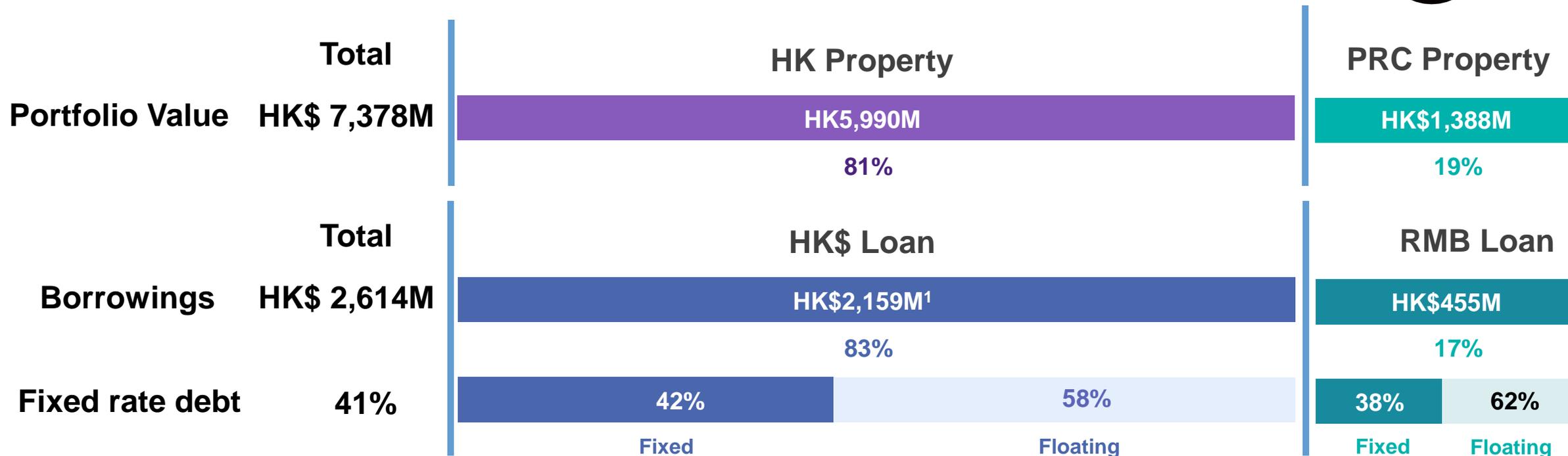
73% of revenue contributed
by SF Group



Hedged finance cost

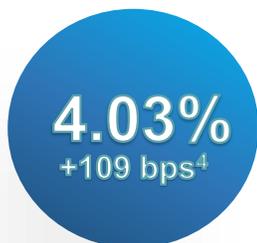
42% of HKD floating rate
debt hedged in early 2022

Financial Highlights – Balance Sheet



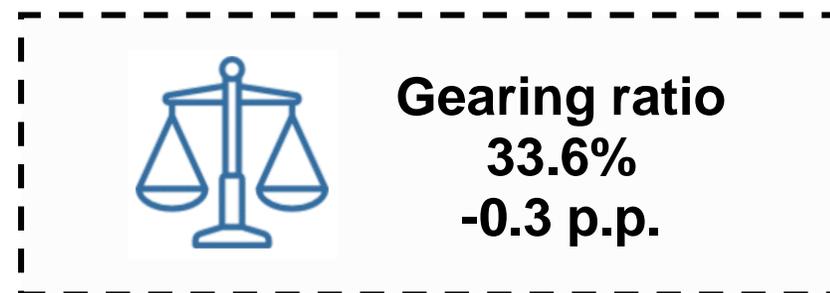
Overall average interest rate²

1H 2023



Average interest rates of

HK\$ Loan RMB Loan



Notes: ¹ Excluded the capitalisation of transaction costs of approximately HK\$2.2M.

² Average interest rate represents the weighted average of the interest rates applicable to individual loan over the 6 months end 30 June 2023.

³ Changsha loan rate was negotiated to reduce from LPR+0.55% to LPR+0.2%. The applicable five year LPR as at 30 June 2023 was 4.2%.

⁴ The weighted average effective interest rates of FY 2022 for total borrowings, HK\$ borrowings, and RMB borrowings were contained at 2.94%, 2.52% and 5.36% per annum, respectively.

Proactive Risk Management

Challenges presented by rate hike and FX volatility



Interest Rate Risk

HIBOR ↑ to 4.93%¹

Our Strategy

- Feb 2022
 - Hedged 42% HKD loan for 4 years
- Jul 2023
 - Hedged the remaining 58% till end of 2023



Exchange Rate Risk

RMB/HKD ↓ 3.2% in 1H2023²

Our Strategy

- Monitor trend and identify suitable hedging means
- Short-term hedge on RMB to protect distribution when appropriate

Notes: ¹ HIBOR was 4.93% as at 30 June 2023.

² Source: State Administration of Foreign Exchange.

Portfolio Update

Portfolio Performance – Diversified Portfolio



4
Modern Logistics
Properties



HK\$ 7,378 M
Total Property Value



427,893 sq.m.
Total GLA

89% of the portfolio by value
located in **Greater Bay Area**

Changsha Fengtai Industrial Park
(Acquired in June 2022)



Foshan Guicheng Fengtai Industrial Park



Wuhu Fengtai Industrial Park



Asia Logistics Hub – SF Centre



Wuhu, Anhui
Changsha, Hunan
Foshan, Guangdong
Hong Kong

Operations Highlights



Occupancy
98.2%

Remained stable



Property Value
HK\$7,378M

Remained stable



**All major leases
expiring in 2023
were renewed¹**



**GLA leased to
SF Group
78.9%**

Notes: ¹All warehouse leases expiring in 2023 were renewed / re-let as at 17 August 2023.

²All figures as at 30 June 2023, unless stated otherwise.

Portfolio Performance – Valuation

Jun 23
HK\$ 7,378 M
Remained stable

Capitalisation Rate

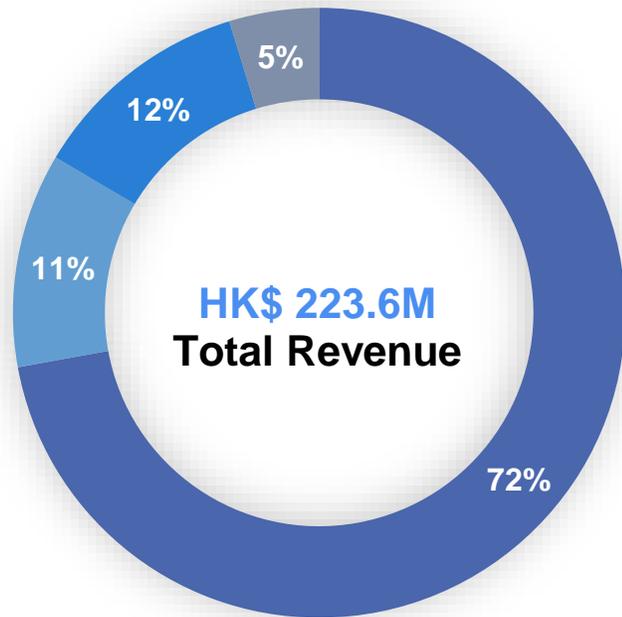
Valuation (Million)

	Dec 22	Jun 23	Dec 22	Jun 23	
Asia Logistics Hub – SF Centre	4.25%	4.25%	HK\$ 5,944	HK\$ 5,990	▲ 0.8%
Changsha Fengtai Industrial Park	5.25%	5.25%	RMB 559	RMB 560	▲ 0.02%
Foshan Guicheng Fengtai Industrial Park	5.25%	5.25%	RMB 498	RMB 498	▲ 0.06%
Wuhu Fengtai Industrial Park	5.50%	5.50%	RMB 226	RMB 226	—

☐ **Capitalisation rate and market rent remained stable**

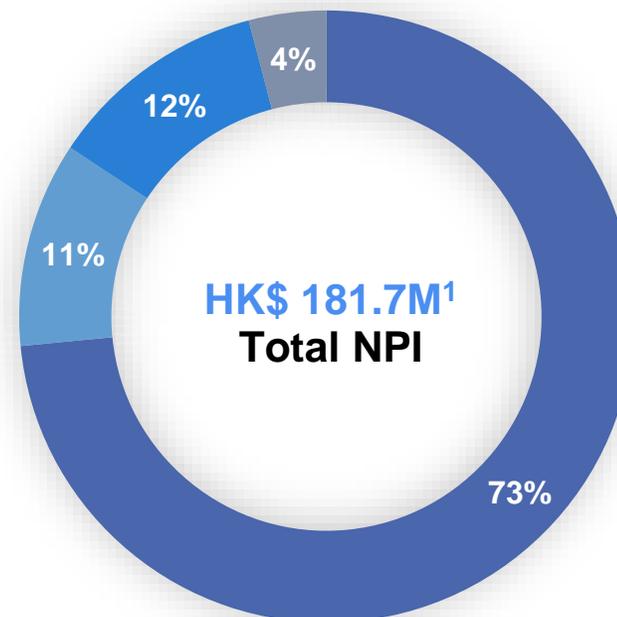
Portfolio Performance

Revenue Distribution



■ Tsing Yi ■ Changsha ■ Foshan ■ Wuhu

Net Property Income Distribution



■ Tsing Yi ■ Changsha ■ Foshan ■ Wuhu

Note: ¹Depreciation in property operating expenses is excluded for analysis purpose considering their non-cash nature.

Prime Property Portfolio

Asia Logistics Hub – SF Centre



- A **15-storey ramp-up** modern logistics property comprising warehouses with automatic sorting and supply chain support facilities and ancillary offices



GLA
160,322 sq.m.



Occupancy
97.3%
No Change



SF
65.9% of GLA
(2 tenants)



Revenue²
HK\$ 161M
▲ 2.8%



NPI^{2,3}
HK\$ 133M
▲ 2.2%



Property Highlights

- ❑ Warehouses almost **fully occupied**
- ❑ Vacant units were mainly ancillary offices



Leases Expiry

- ❑ **6.7%** of GLA (~10,800 sq.m.) expiring in 2023 were **fully renewed** and **re-let**
- ❑ Positive rental reversion: **12.4%**
- ❑ **SF** will **expand into new spaces** in the second half of 2023



Notes: ¹ All figures as at 30 June 2023, unless stated otherwise.

² Revenue and NPI represented the figures for the six months ended 30 June 2023.

³ Depreciation is excluded for analysis purpose considering its non-cash nature.

Prime Property Portfolio

Changsha Fengtai Industrial Park



- **Three-storey high-standard warehouse, two single-storey warehouses, a two-storey ramp-up distribution centre and ancillary offices**



GLA
119,922 sq.m.



Occupancy
98.8%
▼ 0.3 p.p.



SF
75.4% of GLA
(3 tenants)



Revenue^{2,4}
RMB 23M



NPI^{2,3,4}
RMB 18M



Property Highlights

- ❑ Warehouses were **fully occupied**
- ❑ Vacancy from **ancillary offices and dormitories** (1.2% of GLA)



Leases Expiry

- ❑ **5.2%** of GLA (~6,200 sq.m.) expiring in 2023 comprised warehouses, ancillary offices and dormitories
- ❑ **All warehouses** were renewed and re-let



Notes: ¹ All figures as at 30 June 2023, unless stated otherwise.

² Revenue and NPI represented the figures for the six months ended 30 June 2023.

³ Depreciation is excluded for analysis purpose considering its non-cash nature.

⁴ The acquisition of Changsha Property was completed on 24 June 2022. Hence no comparative figures presented for the six months ended 30 June 2022.

Prime Property Portfolio

Foshan Guicheng Fengtai Industrial Park



- A three-storey ramp-up and “built-to-suit” distribution centre



GLA
84,951 sq.m.



Occupancy
100%
No Change



SF
99.9% of GLA
(1 tenant)



Revenue²
RMB 23M
▲ 0.1%



NPI^{2,3}
RMB 19M
▼ 0.8%



Property Highlights

- Stable as almost entirely occupied by SF Group



Leases Expiry

- Fully leased with expiry in 2026



Notes: ¹ All figures as at 30 June 2023, unless stated otherwise.

² Revenue and NPI represented the figures for the six months ended 30 June 2023.

³ Depreciation is excluded for analysis purpose considering its non-cash nature.

Prime Property Portfolio

Wuhu Fengtai Industrial Park



- Two **single-storey** high-standard **warehouses**, a **two-storey distribution centre**, and ancillary offices



GLA
62,698 sq.m.



Occupancy
96.7%
▲ 0.3 p.p.



SF
90.0% of GLA
(2 tenants)



Revenue²
RMB 9M
▼ 0.4%



NPI^{2,3}
RMB 7M
▼ 2.6%



Property Highlights

- Warehouses remained **fully occupied**
- Vacancy from **ancillary offices and dormitories** (3.3% of GLA)



Leases Expiry

- 5.7% of GLA (~3,600 sq.m.) expiring in 2023 were ancillary offices and dormitories
- > 50% of the ancillary offices and dormitories were renewed and re-let



Notes: ¹ All figures as at 30 June 2023, unless stated otherwise.

² Revenue and NPI represented the figures for the six months ended 30 June 2023.

³ Depreciation is excluded for analysis purpose considering its non-cash nature.

Sustainability Initiatives

Sustainability Framework



Key Sustainability Targets by 2025



Business Integrity

Continuous training on business ethics for directors and employees



Partner Engagement

Community investment (50 hours per year)

Establish green procurement policy



Employee Empowerment

Zero workforce fatalities and injuries



Green Operation

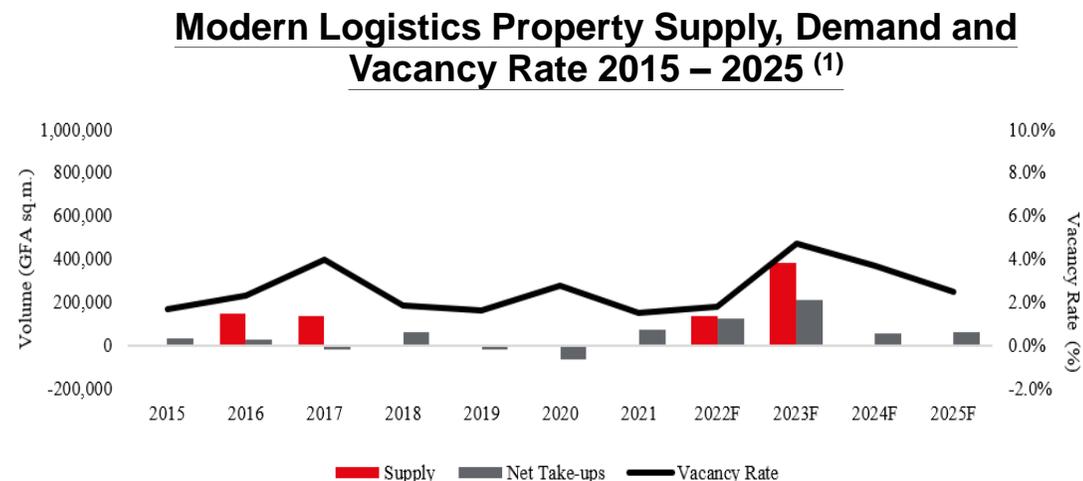
Reduce key resources intensity by 3%

Publish climate-related disclosure report with reference to TCFD and SFC

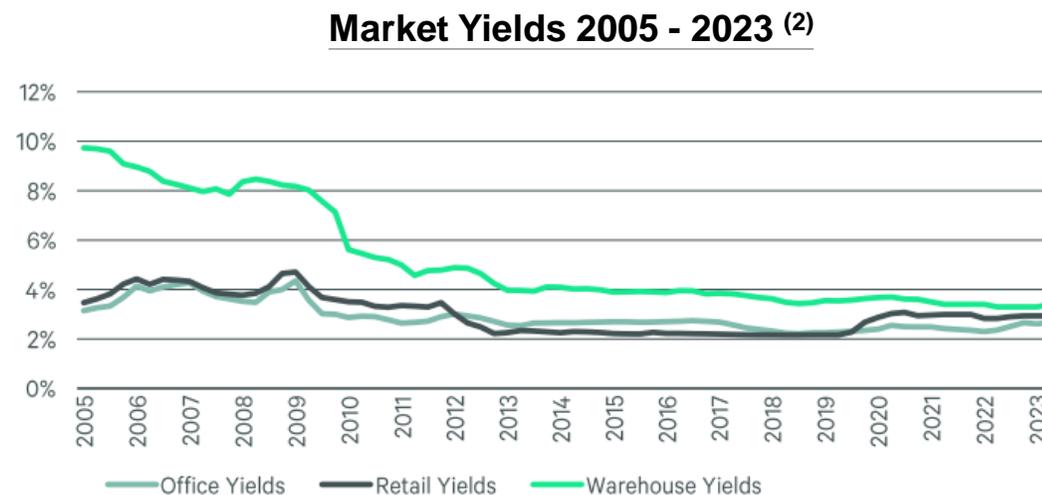
Market Outlook & Strategies

Logistics Property Market Update – Hong Kong

 15 <i>Modern Logistics Warehouses</i>	 0.6% <i>Rental Growth q-o-q¹</i>	 1.5% <i>Vacancy Rate¹</i>
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- ❑ Rental and vacancy rate remained at **healthy level** in the first half of 2023
- ❑ Completion of Cainiao Smart Gateway (approx. 381,000 sq.m.) at the airport will show a **relief of tight supply** of warehouses in the third quarter of 2023
- ❑ Expected rebound in retail sales and sustained growth in e-commerce shall support **solid logistics demand in 2023**
- ❑ **Market yields** of warehouse remained attractive among the asset classes

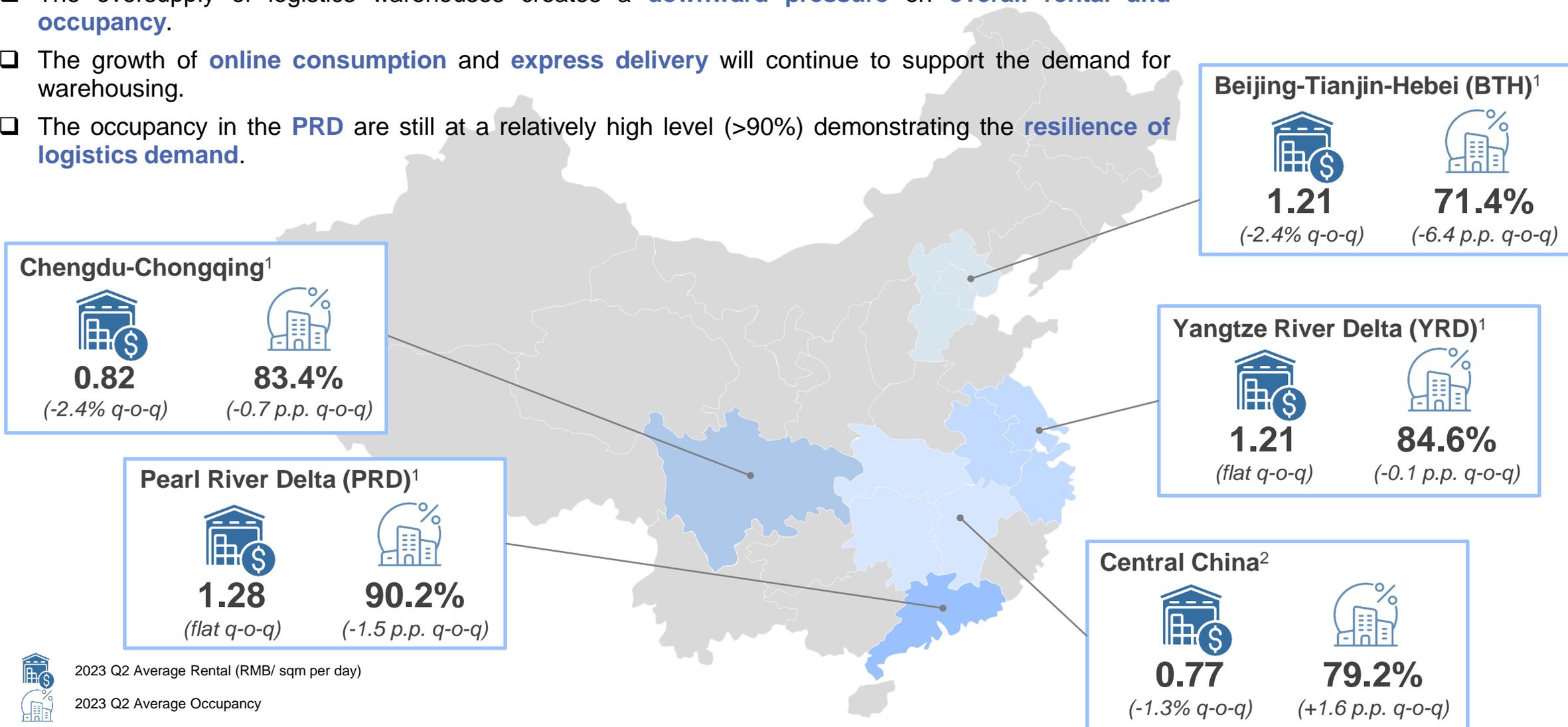


Note: ¹ Source: JLL

² Source: CBRE Hong Kong Figures - Investment Q2 2023

Logistics Property Market Update – China

- ❑ The oversupply of logistics warehouses creates a **downward pressure** on **overall rental and occupancy**.
- ❑ The growth of **online consumption** and **express delivery** will continue to support the demand for warehousing.
- ❑ The occupancy in the **PRD** are still at a relatively high level (>90%) demonstrating the **resilience of logistics demand**.



2023 Q2 Average Rental (RMB/ sqm per day)
 2023 Q2 Average Occupancy

Notes: ¹ Source: Zheng Liang China Non-bonded Warehouse Market Report – 2023 Q2
² Source: China Warehouse Market Report, Warehouse In Cloud – 2023 Q2

Logistics Property Market Outlook



1. **Re-opening of the border** in early 2023 will facilitate Hong Kong's economic growth, **maintain demand of industrial warehouses**
2. Investors are keen on looking for assets with **attractive pricing to compensate for extra interest expenses**



1. Supply expected to peak in 2023, various performance in sub-markets - **GBA relatively resilient**
2. **New growth** in warehouse driven by live-streaming e-commerce¹



1. **Uncertain and complex global environment** : Inflation and interest rate hike
2. **Logistics service demand remained intact** :
 - Gradual resumption of cross-border trading
 - Transformation of domestic consumptions structure in China
 - E-commerce, fresh food, medical sectors, 3PLs, etc

SF REIT Outlook



01

NPI supported by high quality tenants, stable lease expiry profile, and diligent cost control



02

Distribution depends on interest rate movements

- Proactive management of interest rate and FX risks



03

Steadfast partnership with SF supports long term growth:

- Providing strong logistics pipelines
- As anchor tenants



04

Prudently implement **acquisition strategies**

Distribution Details

Distribution Period



1 January 2023
to
30 June 2023

Distribution Per Unit



HK14.64 cents

Ex-distribution Date



30 August 2023

Closure of Register of Unitholders for Distribution



1 September 2023

Distribution Date



25 September 2023

Appendix Financial Summary

Income Statement Highlights

	For the 6 months ended 30 June 2023		
(HK\$'000)	HK	PRC	Total
Revenue	161,318	62,302	223,620
Property operating expenses	(28,493)	(14,437)	(42,930)
Net property income	132,825	47,865	180,690
<i>NPI Margin (%)</i>	82.3%	76.8%	80.8%
G&A expenses:			(17,612)
REIT Manager's fee	(13,010)		
Auditor's remuneration	(1,516)		
Trustee's remuneration	(776)		
Others ¹	(2,310)		
Fair value changes on Investment properties			71,102
Other loss - net			(443)
Operating profit			233,737
Finance costs, net			(48,581)
Income tax expenses			(36,947)
Profit after tax for the 6 months			148,209

Revenue and NPI increased 13.2% and 11.8% respectively when compared with 2022's First Half figures

Property Operating Expenses



	For the 6 months ended 30 June 2023
	(HK\$'000)
Property management expenses	21,345
- Building management fees	14,594
- Supplemental services related expenses	6,751
Rates and government rent	4,462
Repairs and maintenance	4,168
Electricity and water fee	3,300
Other taxes	8,114
Others	1,541
Property Operating Expenses for the 6 months	42,930

Distribution Statement Highlights



	For the 6 months ended 30 June 2023
	(HK\$'000)
Profit for the 6 months	148,209
Adjustments:	
Fair value changes on Investment properties	(71,102)
Deferred tax charges	31,247
Differences between accrued rental income and contractual rental income	(4,722)
REIT Manager's fee payment in the form of units	13,010
Others	445
Total distributable income	117,087
Pay-out ratio	100%
Interim distribution for the 6 months to unitholders	117,087
Units in issue as at 30 June 2023	800,000,000
Distribution per unit	HK 14.64 cents
Annualised distribution yield	10.6% ¹

Note:

¹ Annualised distribution yield is calculated by dividing the distribution per unit for the year by the closing unit price of HK\$2.78 on 30 June 2023.

Balance Sheet Summary



	30 Jun 2023	31 Dec 2022
	(HK\$'000)	(HK\$'000)
Non-current assets		
Investment properties	7,377,639	7,377,618
Others	68,580	66,177
	7,446,219	7,443,795
Current assets		
Cash and cash equivalents	221,047	274,136
Others	93,884	99,557
	314,931	373,693
Total assets	7,761,150	7,817,488
Current liabilities	202,552	258,051
Non-current liabilities:		
Borrowings	2,564,882	2,601,904
Deferred tax liabilities and government grants	725,537	697,540
Total liabilities	3,492,971	3,557,495
Net assets attributable to Unitholders	4,268,179	4,259,993
Units in issue	800,000,000	800,000,000
Net assets per unit attributable to Unitholders	HK\$ 5.34	HK\$ 5.32

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