



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

2023
ANNUAL REPORT



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. It is a collective investment scheme authorised by the SFC and constituted by the Trust Deed.

SF REIT shall invest in income-generating real estate globally, with an initial focus on logistics properties. SF REIT's portfolio currently comprises four properties in Tsing Yi, Hong Kong as well as Foshan, Wuhu and Changsha, Mainland China. All these four properties are modern logistics properties strategically located within the key logistics hubs in Hong Kong and Mainland China.

REIT Manager

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

SFH

S.F. Holding Co., Ltd. (順豐控股股份有限公司), a company established in the PRC and whose shares are listed on the Shenzhen Stock Exchange, is the sponsor and a controlling unitholder of SF REIT. SFH is the largest integrated logistics service provider in the PRC and Asia, and the fourth largest in the world. Focusing on the logistics ecosystem, it has consistently built on its service capabilities, and has diversified into eight segments, namely time-definite express, economy express, freight, cold chain and pharmaceutical, intra-city on-demand delivery, supply chain and international business (including international express, international freight and freight forwarding, and supply chain), which can provide customers with domestic and international end-to-end one-stop supply chain services.



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Corporate Information

Board of Directors of REIT Manager

Chairman and Non-executive Director

Mr. HO Chit

Executive Director and Chief Executive Officer

Mr. Hubert CHAK

Non-executive Directors

Ms. OOI Bee Ti

Ms. GAN Ling

Ms. LI Juhua

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. YEUNG Tak Him

Ms. HO Sze Ting

Company Secretary of REIT Manager

Ms. CHING Wai Fong

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

Registered Office of REIT Manager

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Hong Kong

Unit Registrar and Transfer Office

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Website

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Listing of the Units

Hong Kong Stock Exchange (stock code: 2191)

Performance Highlights

As at 31 December 2023

Occupancy rate



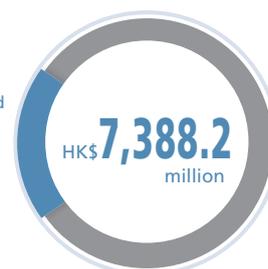
98.0%

2022: 98.2%

↓ 0.2 percentage points

Portfolio value

Mainland
China
19%



Hong Kong
81%

2022: HK\$7,377.6 million

↑ 0.1%

Gearing ratio



33.3%

2022: 33.9%

↓ 0.6 percentage points

Net assets per unit attributable to Unitholders



HK\$5.26

2022: HK\$5.32

↓ 1.1%

Payout ratio



100%

2022: 100%

— stable

For the year ended 31 December 2023

Revenue



HK\$444.9
million

2022: HK\$421.5 million

↑ 5.6%

Net property income



HK\$357.7
million

2022: HK\$343.6 million

↑ 4.1%

Distributable income



HK\$230.0
million

2022: HK\$221.9 million

↑ 3.7%

Distribution per unit



HK28.66
cents

2022: HK27.74 cents

↑ 3.3%



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 annual report of SF REIT for the year ended 31 December 2023.

While the COVID-19 pandemic finally came to an end at the beginning of 2023, the market rebound did not happen as quickly as expected. We also faced challenges from high USD interest rates and geopolitical tensions throughout the year. However, our rental business remained strong thanks to the dynamic logistics industry and our partnership with the SFH group. We took swift actions to protect Unitholders' interests, maintaining a high occupancy rate in our portfolio and managing financial market volatility.

The acquisition of the Changsha Property in June 2022 contributed to our increased revenue and income. Our total revenue grew by 5.6% year-on-year to reach HK\$444.9 million, and net property income increased by 4.1% year-on-year to HK\$357.7 million. We are committed to providing stable and sustainable distribution to Unitholders, as reflected in the final distribution of HK14.02 cents per unit. The full-year total distribution per unit is HK28.66 cents, with a pay-out ratio of 100%.

In terms of our investment strategy, we maintain a prudent and disciplined approach. Given the economic headwinds and volatile market conditions, we decided not to overextend our balance sheet under the high-interest-rate environment. We continue to work closely with the SFH group to identify suitable projects for investment, primarily focusing on Southern China and will monitor investment opportunities created by the growing demand for logistics services in Southeast Asia.

Sustainability is a key part of our strategy, and we have achieved the Green Star rating in the Global Real Estate Sustainability Benchmark (GRESB) assessment. Our Tsing Yi Property has been awarded the Gold rating in the Leadership in Energy and Environmental Design (LEED) by the U.S. Green Building Council since 2021 and our properties in Changsha and Foshan have successfully obtained building certification of China Green Warehouse.

Looking ahead, we maintain a cautiously optimistic outlook on the overall market, with clarity on the USD interest rate outlook expected to improve sentiment. However, uncertainties from regional conflicts and geopolitical relations pose challenges for growth in 2024.

We are encouraged by initiatives such as the Outline of the Plan for the Domestic Demand Expansion Strategy (2022-2035), which provide a favorable backdrop for economic recovery in China. The e-commerce market in China presents a promising opportunity, driving the demand for high-quality logistics services and our strategically located premium logistics centers are well-positioned to meet tenants' needs and generate stable income.

Our future growth will mainly come from new acquisitions, following our current investment strategy with prudence and discipline. We will leverage our strategic partnership with the SFH group to seek investment opportunities that align with our objective of providing stable and sustainable returns to Unitholders.

Lastly, I would like to express my gratitude for the trust placed in me as the newly appointed Chairman of the Board in 2023. I would also like to acknowledge the exemplary leadership and contributions of our former Chairman since our listing in 2021. I extend my appreciation to the Board, staff, business partners, and investors for their unwavering support and dedication.

HO Chit

Chairman

14 March 2024

Management Discussion and Analysis

Market Overview

The global market is currently facing significant challenges due to high USD interest rates and economic uncertainties, leading to a volatile macroeconomic environment. This volatility has resulted in a fragile investment sentiment across industries. However, in China, the Central Government has taken decisive steps to address these challenges. By fully reopening its borders and aligning fiscal, monetary, social, and technological policies, policymakers in China have prioritised growth and are actively promoting it across various sectors.

China's economic policy has focused on expanding domestic demand by increasing residents' incomes, with consumption emerging as a key driver of economic growth. E-commerce has played a crucial role in facilitating this consumption trend and stands to benefit from it. Factors such as live streaming and social commerce have contributed to the growth of online retail sales of physical goods in China, which increased by 8.4% year-on-year to reach RMB13.02 trillion by the end of 2023. These online retail sales accounted for 27.6% of the total retail sales of consumer goods in China. The rising demand for e-commerce has also spurred the need for premium logistics centers, which play a critical role in efficiently delivering goods within the supply chain.

In Hong Kong, the Transport and Logistics Bureau has set its sights on developing the city into a sustainable international smart logistics hub, with a particular focus on high-value goods and the e-commerce market. Capitalising on the opportunities presented by the development of the Greater Bay Area, numerous renowned international logistics enterprises have already established offices in Hong Kong. They have either set up large-scale modern logistics facilities or expanded their existing ones in the city, recognising Hong Kong's strategic location and strong connectivity within the region's logistics network.

Operations Review

	GLA as at 31 December 2023 (sq.m.)	Occupancy as at 31 December 2023	Occupancy as at 31 December 2022	% of GLA occupied by SFH Group as at 31 December 2023	Number of internal/ external tenants as at 31 December 2023 ⁽¹⁾
Tsing Yi Property	160,322	97.3%	97.3%	69.3%	2/5
Changsha Property	119,922	98.9%	99.1%	75.4%	3/11
Foshan Property	84,951	100.0%	100.0%	99.9%	1/1
Wuhu Property	62,698	95.4%	96.4%	90.0%	2/12
Total	427,893	98.0%	98.2%	80.1%	8/29

Note:

(1) Internal tenants referred to tenants from SFH Group.



Management Discussion and Analysis

SF REIT's portfolio comprises four logistics properties strategically located in Tsing Yi, Hong Kong as well as Changsha, in Hunan Province, Foshan, in Guangdong Province and Wuhu, in Anhui Province, Mainland China. These four properties are all within key logistics hubs which were initially developed to support the logistics operations of members of SFH Group.

The REIT Manager adopted proactive asset management approaches to increase the income of SF REIT's portfolio by building and maintaining good relationships with the tenants through continuous communication to serve their needs. The overall occupancy of the portfolio remained high at 98.0% as at 31 December 2023, decreased slightly from 98.2% as at 31 December 2022. For the Year, SF REIT achieved an average year-on-year rental reversion increase of 11%.

SFH Group tenants occupied 80.1% of the GLA as at 31 December 2023 and contributed approximately 73.8% of the total revenue for the Year. While the majority of the subsisting leases with SFH Group tenants for the properties are expiring in 2026, its annual rental increases provide a solid base and a high degree of income stability for SF REIT.

Looking ahead, approximately 36,800 sq.m. of GLA, comprising approximately 8.6% of the total GLA, is due to expire in 2024. SF REIT will continue to focus on tenant retention and maintaining a healthy portfolio occupancy by proactively engaging tenants to understand their business needs, as well as attracting new tenants with flexible leasing packages.

Regarding ESG, SF REIT participated in Global Real Estate Sustainability Benchmark (GRESB) assessment for the first time during the Year and successfully received the Green Star rating. This participation helped us identify areas for improvement in our ESG management and work towards better performance in sustainability.

TSING YI PROPERTY



Management Discussion and Analysis

Hong Kong

Our Tsing Yi Property is a purposely-designed multi-storey logistics building constructed to meet higher specifications that cater to the requirements of logistics services. These specifications include direct ramp access, large floor plate, high headroom, heavy floor loading, ample parking facilities with loading and unloading areas, sufficient power supply, and temperature-controlled areas. These features make our Tsing Yi Property highly desirable for modern logistics operations.

As of 31 December 2023, the occupancy for Tsing Yi Property was 97.3%, being the same as that on 31 December 2022. Our tenant base remained stable and consisted of various companies involved in the distribution of goods, food supply, and consumer products across different countries. As of 31 December 2023, all warehouse spaces were leased out. The vacant units primarily consisted of ancillary offices. Looking ahead, approximately 24,300 sq.m. of GLA, comprising approximately 15.2% of the total GLA in Tsing Yi Property, is due to expire in 2024. Our business units are making good progress in negotiating with tenants to manage the expiry.

SF REIT upgraded its Tsing Yi Property in various aspects in 2023. We have replaced part of our automatic fire detection system in the second quarter of 2023. We have also upgraded our cooling tower building system in Tsing Yi Property in the fourth quarter of 2023. SF REIT is committed to providing a high-quality environment that facilitates the development of our tenants.



TSING YI PROPERTY

Regarding ESG, our Tsing Yi Property has been awarded the “Leadership in Energy and Environmental Design” (LEED) Gold rating by the U.S. Green Building Council. This certification is a testament to our dedication towards implementing sustainable building practices in various areas such as water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality. In terms of BEAM Plus, our Tsing Yi Property has obtained an excellent grade in management aspect, reflecting the Hong Kong Green Building Council’s (HKGBC) acknowledgement of our responsible management practices and initiatives in promoting sustainable asset management.

CHANGSHA PROPERTY



Mainland China

Changsha, Hunan

SF REIT successfully completed the acquisition of Changsha Property in June 2022. SFH Group occupied 75.4% of GLA as at 31 December 2023, providing income stability to Changsha Property and SF REIT. The occupancy decreased slightly to 98.9% as at 31 December 2023 (2022: 99.1%). Looking ahead, approximately 9,500 sq.m. of GLA, comprising approximately 7.9% of the total GLA in Changsha Property, is due to expire in 2024.

In 2023, SF REIT collaborated with its strategic tenant, SFH Group, to enhance the functionality of its distribution center located in Changsha Property. The objective of this upgrade was to improve operational efficiency and accessibility for its express delivery services. The upgrade was successfully completed in August 2023.



FOSHAN PROPERTY



Management Discussion and Analysis

Foshan, Guangdong

Foshan Property is a “built-to-suit” distribution centre and occupied almost entirely by SFH Group to operate as a regional hub to support its express delivery services in the Guangdong Province. Its occupancy was maintained at 100% as at 31 December 2023 (2022: 100%).



FOSHAN PROPERTY

Addressing water leakage issues is crucial to protect the building’s structure and prevent further damage. In 2023, SF REIT implemented measures such as paving waterproofing membranes and improving drainage systems to ensure effective water management and prevent leaks.

Enlarging the septic tank is also a positive move towards improving the functionality of Foshan Property. A well-maintained and properly functioning septic system is essential for waste management, hygiene, and overall property maintenance. SF REIT upgraded the existing septic tank with a more efficient and modern system to ensure proper waste disposal.

These enhancements demonstrate SF REIT’s commitment to maintaining and improving Foshan Property’s infrastructure. By investing in these upgrades, SF REIT aims to provide a pleasant and functional environment for tenants or occupants while lifting the value of the property.

WUHU PROPERTY



Wuhu, Anhui

Wuhu Property recorded an occupancy rate of 95.4% as at 31 December 2023 (2022: 96.4%), with 90.0% of the GLA leased to SFH Group tenants including express delivery, freight forwarding and contract logistics. The warehouses in Wuhu Property remained fully occupied while certain ancillary offices of approximately 2,900 sq.m. (representing 4.6% of the GLA of Wuhu Property) were vacant. Approximately 3,000 sq.m. of GLA, comprising approximately 4.9% of the total GLA in Wuhu Property, is due to expire in 2024.



WUHU PROPERTY

Regarding ESG, our Changsha Property and Foshan Property have successfully secured building certification of “China Green Warehouses” awarded by China Association of Warehousing and Distribution. We are currently investigating the potential to achieve the same certification for our Wuhu Property. Meanwhile, we are intensifying our efforts to reduce resources consumption and environmental impacts by enhancing energy and water efficiency, and incorporating innovative low-carbon technologies. To ensure SF REIT’s portfolio aligns with our sustainability goals and contributes positively to our ESG performance, SF REIT is committed to promoting the use of renewable energy across our properties. As such, we have equipped all our properties with solar photovoltaic systems installed on the rooftops for electricity generation. These systems generate an average of approximately 657,000 kWh per month for the Year. This initiative not only reduces our reliance on fossil fuels but also significantly lowers our overall carbon emissions.

Management Discussion and Analysis

Financial Review

Financial Performance

Operating Results

	Revenue ⁽¹⁾			Net property income ^{(1) (2)}		
	For the year ended 31 December					
	2023	2022	Changes	2023	2022	Changes
Hong Kong	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Tsing Yi Property	320,171	310,061	+3.3	262,926	256,571	+2.5
Mainland China	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Changsha Property ⁽³⁾	44,702	23,172	N/A	34,300	17,532	N/A
Foshan Property	46,090	44,814	+2.8	36,904	36,076	+2.3
Wuhu Property	18,501	17,753	+4.2	12,848	12,400	+3.6
Total	109,293	85,739	+27.5	84,052	66,008	+27.3

Notes:

- (1) Revenue figures are presented on a cash basis.
- (2) Depreciation in property operating expenses are excluded for analysis purpose considering their non-cash nature.
- (3) Figures for 2022 covered the period from 24 June 2022 (date of completion of acquisition) to 31 December 2022.

For the Year, SF REIT recorded a total revenue of HK\$444.9 million, reflecting a year-on-year increase of 5.6%. This was mainly attributable to the full year contribution from Changsha Property which was acquired in June 2022. After deducting the property operating expenses of HK\$87.2 million (2022: HK\$77.9 million), the net property income has increased by 4.1% year-on-year to HK\$357.7 million.

Management Discussion and Analysis

Property operating expenses included building management fees of approximately HK\$2.6 million (2022: HK\$2.1 million) charged by operations managers which are subsidiaries of SFH, building management fees of approximately HK\$26.5 million (2022: HK\$24.3 million) charged by independent third parties, and HK\$12.0 million (2022: HK\$14.1 million) for provision of services to generate supplemental services income. The remaining property operating expenses mainly consisted of other taxes, rates and government rent, repairs and maintenance and utilities fees. Finance costs for the Year were HK\$114.0 million (2022: HK\$73.2 million), comprising HK\$113.2 million (2022: HK\$72.5 million) in interest expenses on bank borrowings, with the remainder consisting of amortisation of cost of debt. The finance costs for the second half of the Year increased due to the increase in HK\$ loans interest rate. Taking into account an increase in fair value of investment properties of HK\$55.0 million (2022: HK\$301.2 million), SF REIT reported a lower profit after taxation of HK\$219.5 million for the Year as compared to HK\$439.7 million in the same period of 2022. Excluding fair value changes on investment properties, SF REIT reported a 18.8% year-on-year increase to HK\$164.5 million in profit after taxation for the Year as compared to HK\$138.5 million in the same period of 2022. This was mainly attributable to our full year contribution from the acquisition of Changsha Property, a lower deferred income tax expenses, an effective cost control and proactive interest rate hedging throughout the Year.

Distribution

Under the REIT Code and the Trust Deed, SF REIT is required to distribute to its 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). The total distributable income for the Year was HK\$230.0 million (2022: HK\$221.9 million) representing the profit before transactions with Unitholders as adjusted to eliminate the effects of the adjustments as set out in the Trust Deed, which mainly include fair value changes on investment properties and deferred tax charges as mentioned in the Consolidated Distribution Statement in this report.

The Board has resolved to declare a final distribution per unit of HK14.02 cents for the period from 1 July 2023 to 31 December 2023 (2022 final distribution per unit: HK14.07 cents), representing a total distribution per unit of HK28.66 cents (2022: HK27.74 cents), a year-on-year increase of 3.3%, for the Year and a 100% pay-out ratio. Such distribution represents a distribution yield of 10.7% based on the closing unit price of HK\$2.67 on the last trading date of the Year.

Final distribution will be paid on 23 April 2024 to the Unitholders whose names appear on the register of Unitholders of SF REIT on 3 April 2024.

Management Discussion and Analysis

Financial Position

As at 31 December 2023, total assets were HK\$7,692.3 million (2022: HK\$7,817.5 million) comprising mainly investment properties of HK\$7,388.2 million (2022: HK\$7,377.6 million). Total liabilities amounted to HK\$3,458.7 million (2022: HK\$3,557.5 million) including bank borrowings of HK\$2,563.4 million (2022: HK\$2,650.1 million), of which HK\$2,157.2 million was in HK\$ loans (2022: HK\$2,156.4 million) and HK\$406.3 million was in RMB loans (2022: HK\$493.7 million). Net assets per unit attributable to Unitholders was HK\$5.26 (2022: HK\$5.32).

After accounting for the IRS, the weighted average effective interest rates of the Year for total borrowings, HK\$ borrowings, and RMB borrowings were contained at 4.31%, 4.23% and 4.65% per annum, respectively (2022: 2.94%, 2.52% and 5.36%, respectively). The gearing ratio (defined as the percentage of total borrowings over total assets) of SF REIT was 33.3% (2022: 33.9%), while the total liabilities as a percentage of total assets was 45.0% (2022: 45.5%).

Portfolio Valuation

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the principal valuer of SF REIT, valued the properties using the income capitalisation approach with reference to market comparables. As at 31 December 2023, SF REIT's portfolio maintained a steady valuation and was appraised at HK\$7,388.2 million, showing a slight increase compared to HK\$7,377.6 million as at 31 December 2022. This marginal rise in valuation was predominantly driven by a small valuation uplift of Tsing Yi Property. However, it was partially offset by a slight decline in value of Changsha Property, as well as the depreciation of RMB against HK\$ during the Year.

The following table summarises the appraised value and capitalisation rate of each of the properties as at 31 December 2023 and 2022 respectively.

	Appraised Value				YoY Changes		Capitalisation Rate	
	As at 31 December 2023		As at 31 December 2022		in HK\$	in local currency	As at	As at
	HK\$ million	RMB million	HK\$ million	RMB million			31 December 2023	31 December 2022
Hong Kong	<i>HK\$ million</i>		<i>HK\$ million</i>		%	%	%	%
Tsing Yi Property	5,987.0		5,944.0		+0.7	+0.7	4.25	4.25
Mainland China	<i>HK\$ million</i>	<i>RMB million</i>	<i>HK\$ million</i>	<i>RMB million</i>	%	%	%	%
Changsha Property	605.1	550.4	624.8	559.4	-3.2	-1.6	5.25	5.25
Foshan Property	547.6	498.1	556.4	498.1	-1.6	-	5.25	5.25
Wuhu Property	248.5	226.0	252.4	226.0	-1.5	-	5.50	5.50
Sub-total	1,401.2	1,274.5	1,433.6	1,283.5	-2.3	-0.7		
Total	7,388.2		7,377.6		+0.1			

Management Discussion and Analysis

The appraised value of Tsing Yi Property was HK\$5,987.0 million, a modest increase of HK\$43.0 million as of 31 December 2023 (2022: HK\$5,944.0 million). This growth was supported by the stable capitalisation rate and rental growth observed in Hong Kong.

The properties in Mainland China were appraised at HK\$1,401.2 million as at 31 December 2023 (2022: HK\$1,433.6 million). The decline in valuation was primarily attributable to the lower appraisal of Changsha Property and the depreciation of RMB against HK\$ during the Year. In terms of local currency, there was a moderate decrease in valuation. While Foshan Property and Wuhu Property maintained a stable valuation, supported by the steady logistic markets, Changsha Property experienced a lower valuation due to rental pressures in local market.

Capital Management

The banking facilities of SF REIT at the end of the Year include:

- (i) a five-year term loan facility for a principal amount up to HK\$2,159 million (the “**HK\$ Term Loan**”) at interest rate of HIBOR plus 1.10% per annum maturing in May 2026 and an 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 “**HK\$ Revolving Loan**”, together with the HK\$ Term Loan, collectively the “**HK\$ Loans**”). The HK\$ Loans are secured by Tsing Yi Property and its rental collection account;
- (ii) two five-year term loan facilities for principal amounts up to RMB120 million and RMB100 million, for Foshan Property and Wuhu Property respectively, at a fixed interest rate maturing in April 2026 (collectively, “**Foshan and Wuhu RMB Loans**”). In the second half of 2023, the REIT Manager successfully negotiated to reduce the fixed interest rate from 4.50% per annum to 3.95% per annum. The Foshan and Wuhu RMB Loans are secured by Foshan Property and the rental collection accounts of both Foshan Property and Wuhu Property. As at 31 December 2023, the total outstanding amount of the Foshan and Wuhu RMB Loans was approximately RMB115 million; and
- (iii) an eight-year term loan facility (“**Changsha RMB Loan**”) for a principal amount up to RMB275 million at an interest margin above the loan prime rate for more than five years as announced by the National Interbank Funding Center on the business day immediately preceding the drawdown date and updated annually. In the first half of 2023, the REIT Manager successfully negotiated to reduce the interest margin from 0.55% per annum to 0.20% per annum, reducing the total interest rate to 4.40% per annum. The Changsha RMB Loan is secured by Changsha Property, the rental collection account of Changsha Property and entire shareholding of an indirect wholly-owned subsidiary of SF REIT holding Changsha Property. As at 31 December 2023, the total outstanding amount of the Changsha RMB Loan was approximately RMB254 million.



Management Discussion and Analysis

As at 31 December 2023, the HK\$ Term Loan was fully drawn while the HK\$ Revolving Loan was not utilised during the Year.

In early 2022, SF REIT entered into IRS with maturity in February 2026 to hedge HK\$900 million of the HK\$ Term Loan to mitigate the impact of interest rate volatility. In July 2023, SF REIT entered into a short-term IRS to hedge the remaining HK\$1,259 million of the HK\$ Term Loan with maturity in December 2023. As at 31 December 2023, approximately 41.7% of the outstanding amount of the HK\$ Term Loan was on fixed interest rate. Subsequent to the Year in January 2024, SF REIT entered into a short-term IRS to hedge the remaining HK\$1,259 million of the HK\$ Term Loan with maturity in July 2024. This was carried out to protect against the downside when the market expected interest rate to remain volatile in 2024. SF REIT will closely monitor the interest rates movements and may adjust ratio of fixed and floating rate debt using financial instruments to hedge against the interest rate exposure, if and when appropriate.

For the Year, approximately 27.5% (2022: 24.6%) and 26.2% (2022: 23.3%) of the revenue and net property income of SF REIT, respectively were denominated in RMB, which had to be converted into HK\$ for the calculation of distributions to Unitholders. During the second half of the Year, SF REIT entered into foreign currency forward contract to hedge RMB risk associated with the distributable income. As at 31 December 2023, SF REIT had no outstanding foreign currency forward contract. Future fluctuations in the exchange rate of RMB against HK\$ may continue to impact the distributions to Unitholders. The REIT Manager will closely monitor the foreign exchange market and will take appropriate protective actions to mitigate foreign exchange risks, when necessary.

As at 31 December 2023, SF REIT had total cash and bank balances of HK\$190.2 million (2022: HK\$274.1 million) and available banking facilities of HK\$250 million (2022: HK\$250 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 working capital and capital expenditure requirements.



Directors and Management

Directors

HO Chit

Chairman and Non-executive Director

Mr. HO Chit, aged 49, was appointed as a Non-executive Director on 11 April 2022. He is also the Board Chairman, the chairman of the Investment Committee and a member of the Nomination and Remuneration Committee.

Mr. HO has extensive experience in auditing, financial control and corporate finance and business management. He is a director, the deputy general manager and the chief financial officer of SFH. He is also a non-executive director of Kerry Logistics Network Limited, a company listed on the Hong Kong Stock Exchange and a subsidiary of SFH. Prior to joining SFH in September 2021, Mr. HO served as the chief executive officer of Fox Financial Technology Group Limited from April 2014 to September 2021 and held a number of senior financial positions in several Nasdaq-listed companies from 2005 to 2014. Mr. HO was an independent director of China Great Wall Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange) from August 2015 to May 2022.

Mr. HO is a director of SF Holding (HK) Limited (formerly known as SF Holding Limited), SF Fengtai Industrial Park Holdings Limited and Sunny Sail Holding 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.), all of which are subsidiaries of SFH and companies having an interest in the units of SF REIT within the meaning of Part XV of the SFO.

Mr. HO holds a Bachelor's degree in Business Administration in Accounting and Finance from The University of Hong Kong and an Executive Master of Business Administration degree from Tsinghua University in the PRC. Mr. HO is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.



Directors and Management

Hubert CHAK

Executive Director and Chief Executive Officer

Mr. Hubert CHAK, aged 62, 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.

OOI Bee Ti

Non-executive Director

Ms. OOI Bee Ti, aged 51, was appointed as a Non-executive Director on 30 June 2022.

Ms. OOI has extensive experience in corporate finance, treasury management and financial services. She is the head of corporate treasury of SFH. She is also the executive director of 順豐數科(深圳)技術服務有限公司 (S.F. Digits (Shenzhen) Technology Service Co., Ltd.). She is also the chairman of 順豐恒通支付有限公司 (S.F. Hengtong Pay Co., Ltd.), and 順豐控股集團財務有限公司 (SF Holdings Group Finance Co., Ltd.), the executive director of S.F. Insurance Agency (Shenzhen) Co., Ltd. (these three companies are holders of license issued by the National Administration of Financial Regulation), all of which are subsidiaries of SFH. She is also a non-executive director of Kerry Logistics Network Limited, a company listed on the Hong Kong Stock Exchange and a subsidiary of SFH. Prior to joining SFH in September 2010, Ms. OOI worked for Huawei Technologies Co., Ltd. as the director of regional treasury management at the head office and the head of treasury at Asia Pacific regional office from 2006 to 2010 and also worked for several large European and American multinational companies in the areas of corporate finance and treasury management from 1996 to 2006.

Ms. OOI holds a Bachelor of Arts degree in Accounting and Finance from Thames Valley University (now known as University of West London) in the United Kingdom.

GAN Ling

Non-executive Director

Ms. GAN Ling, aged 49, was appointed as a Non-executive Director on 31 December 2022.

Ms. GAN has extensive experience in securities investment and corporate finance. She is the deputy general manager and board secretary of SFH. She is also a member of the Appeal Review Committee of the Shenzhen Stock Exchange. Prior to joining SFH in December 2015, Ms. GAN served as deputy general manager of Maoye International Holdings Limited, a company listed on the Hong Kong Stock Exchange, from 2010 to 2015, and was a director of several A-share listed companies in Mainland China from 2011 to 2015. Ms. GAN was an analyst at Coatue Management, L.L.C., one of the Tiger Cubs, in New York from 2006 to 2010.

Ms. GAN is 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.) (a subsidiary of SFH), which is a company having an interest in the units of SF REIT within the meaning of Part XV of the SFO.

Ms. GAN holds a Bachelor of Arts degree with a major in English from Shantou University in the PRC, a Master of Business Administration degree from The University of Texas at Austin in the United States of America and an Executive Master of Business Administration (EMBA) degree from PBCSF Tsinghua University.

LI Juhua

Non-executive Director

Ms. LI Juhua, aged 44, was appointed as a Non-executive Director on 18 August 2023.

Ms. LI has extensive experience in financial strategic planning and implementation, budget analysis and cost control, accounting and financial reporting, tax management, financial processes and internal controls, and financial digitisation construction. She is Deputy CFO of the SFH Group, the head of CFO office and an employee representative supervisor of SFH. She is a director of several subsidiaries of SFH. She is also a non-executive director of Hangzhou SF Intra-city Industrial Co., Ltd., a company listed on the Hong Kong Stock Exchange and a subsidiary of SFH. During her tenure with SFH Group since May 2012, Ms. LI held various senior finance positions including head of accounting department, head of tax department and head of SFH Group financial share service center.

Ms. LI is 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.), a subsidiary of SFH and a company having an interest in the units of SF REIT within the meaning of Part XV of the SFO.

Ms. LI holds a Bachelor's degree in Management from Tongji University in the PRC. She is a Fellow Chartered Management Accountant, the Chartered Global Management Accountant, and a fellow of the Institute of Financial Accountants in the United Kingdom and the Institute of Public Accountants in Australia.



Directors and Management

TAN Huay Lim

Independent Non-executive Director

Mr. TAN Huay Lim, aged 67, 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 40 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 four companies listed on Singapore Exchange Limited, namely (i) Dasin Retail Trust Management Pte. Ltd., the manager of Dasin Retail Trust; (ii) Elite Commercial REIT Management Pte. Ltd., the manager of Elite Commercial REIT; (iii) Sheng Siong Group Ltd; and (iv) OUE REIT Management Pte. Ltd. (formerly OUE Commercial REIT Management Pte. Ltd.), the manager of OUE Real Estate Investment Trust (formerly OUE Commercial Real Estate Investment Trust). He is also an independent non-executive director of Linklogis Inc., a company listed on the Hong Kong Stock Exchange. Mr. TAN was an independent non-executive director of ASL Marine Holdings Ltd. and Zheneng Jinjiang Environment Holding Company Limited, both are listed on Singapore Exchange Limited. He was also an independent non-executive director of Koufu Group Limited which was delisted from Singapore Exchange Limited in 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

Independent Non-executive Director

Mr. HO Lap Kee, aged 63, 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 retired as an independent non-executive director of Tradelink Electronic Commerce Limited, a company listed on the Hong Kong Stock Exchange, in May 2023.

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, the Occupational Safety and Health Council and the Vocational Training Council Merchandise Trading and E-commerce Training 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. 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. 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 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

Independent Non-executive Director

Mr. CHAN Ming Tak, Ricky, aged 64, 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 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

Independent Non-executive Director

Mr. KWOK Tun Ho, Chester, aged 60, 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 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

Independent Non-executive Director

Mr. Michael Tjahja SUSANTO, aged 51, 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, Head of China and Head of Portfolio Management of Phoenix Property Investors. He was 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, 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

Hubert CHAK

Executive Director and Chief Executive Officer

Mr. Hubert CHAK is an Executive Director, the Chief Executive Officer and one of the responsible officers of the REIT Manager. His biographical information is set out in the "Directors" section above.

YEUNG Tak Him

Chief Operating Officer

Mr. YEUNG Tak Him is the Chief Operating Officer and one of the responsible officers of the REIT Manager. He has extensive experience in property investment, valuation and portfolio management. 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.



Directors and Management

HO Sze Ting

Chief Financial Officer

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

CHING Wai Fong

Company Secretary and Head of Compliance

Ms. CHING Wai Fong is the Company Secretary and Head of Compliance of the REIT Manager. She has extensive work experience in company secretarial, corporate governance and compliance matters. She is an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.



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 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, and is also 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 of the REIT Manager

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 to ensure that sound risk management and internal control systems are maintained.

Size and Composition

The Board currently consists of 10 Directors, including one ED (who is the CEO), four NEDs (one of whom is the Board Chairman) and five INEDs. The Board considers that the current Board size is optimal and composition is well-balanced to facilitate efficient decision-making. Biographical details of the Directors are set out in the section headed "Directors and Management" of this report.

With effect from 18 August 2023, Mr. WANG Wei resigned as a NED and the Board Chairman while Ms. LI Juhua was appointed as a NED and Mr. HO Chit, a NED, was appointed as the Board Chairman to fill Mr. WANG Wei's vacancy. Save as disclosed, there was no change in Board members during the Year and up to the date of approval of this report.

Independent Non-executive Directors

Five out of 10 (50%) of the Board members are INEDs. This strong independent representation ensures that opinions of the INEDs carry weight inside the Board room. The INEDs bring constructive challenge and exercise independent judgement on management proposals and act objectively for the benefit of SF REIT and the Unitholders as a whole. The Board assessed and was satisfied that the mechanism for independent views and input available to the Board was effective.

Each of the INEDs is appointed for a term of three years, subject to retirement by rotation and re-election by Unitholders at annual general meeting of SF REIT at least once every three years. Any INED 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. CHAN Ming Tak, Ricky, an INED, will retire from office of the REIT Manager by rotation and being eligible, will offer himself for re-election by Unitholders at the forthcoming 2024 annual general meeting of SF REIT.

The Nomination and Remuneration Committee is responsible for assessing the independence of INEDs. In this regard, each INED 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 INEDs remained independent.



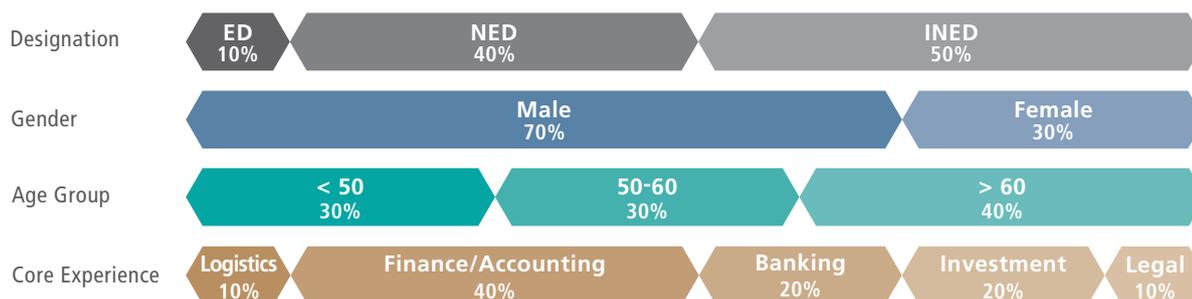
Board Diversity

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. The Nomination and Remuneration Committee has adopted the board diversity policy which aims to set out the approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, to be developed by the Nomination and Remuneration Committee taking into account the business of the REIT Manager and SF REIT and the requirements of the Board. The ultimate decision will be based on an objective and holistic assessment of merit and contribution that the selected candidates will bring to the Board, having regard to the benefits of diversity in its broadest sense on the Board. The Board, through the Nomination and Remuneration Committee, monitors the implementation of this policy and reviews its effectiveness annually.

Corporate Governance Report

In terms of gender diversity, the Board currently comprises 70% male members and 30% female members and will maintain a minimum representation of 10% of either gender. In terms of experience, the Board nets talented business executives and professionals from logistics, finance and accounting, banking, investment and legal sectors. The skills and experience possessed by the Board members are appropriate for execution of the Board's duties and desirable for the businesses of SF REIT.

Diversity at a Glance



Board Evaluation

To ensure effectiveness of functioning, the Board conducts annual performance evaluation. The evaluation of the Board's performance for the Year was conducted by way of an online 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. The Nomination and Remuneration Committee has adopted the nomination policy 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, qualification, industry experience, reputation for integrity and potential contribution to diversity.

The NEDs do not have a specific term of appointment while the INEDs have a current term of appointment of three years and are subject to retirement by rotation and re-election by Unitholders at annual general meeting of SF REIT at least once every three years.

Directors' Commitments

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

Ms. LI Juhua, the newly appointed Director during the Year, had received a comprehensive induction arranged by the REIT Manager and obtained legal advice referred to Rule 3.09D of the Listing Rules in November 2023. She has confirmed that she understood her obligations as a director of a listed company. 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. According to the records provided by the Directors, a summary of Directors' participation in training during the Year is as follows:

	Training*
Executive Director	
Hubert CHAK (CEO)	✓
Non-executive Directors	
HO Chit (Board Chairman)	✓
OOI Bee Ti	✓
GAN Ling	✓
LI Juhua (appointed on 18 August 2023)	✓
Independent Non-executive Directors	
TAN Huay Lim	✓
HO Lap Kee	✓
CHAN Ming Tak, Ricky	✓
KWOK Tun Ho, Chester	✓
Michael Tjahja SUSANTO	✓

* This includes attending seminars/conferences/workshops/forums/talks, and self-reading materials relevant to SF REIT's business, directors' duties or regulatory updates arranged by SF REIT or external organisations.

Board Process

Board Chairman and Chief Executive Officer

The role of the Board Chairman (which is held by Mr. HO Chit effective from 18 August 2023) is separate from that of the CEO (which is held by Mr. Hubert CHAK) to reinforce accountability and responsibility. According to the Compliance Manual, the Board Chairman must be a NED. He is responsible for the overall leadership of the Board. The CEO, being an ED, 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.



Corporate Governance Report

Delegation to Management

Headed by the CEO, 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.

During the Year, the REIT Manager has implemented a management team restructure by streamlining its business and operations structure to have the Chief Operating Officer looking after investment/portfolio management/ESG coordination whilst the Chief Financial Officer looking after the finance/treasury/investor relations/risk management/human resources/company secretary and compliance. The consolidation between the different divisions could help to streamline the work and reporting processes, and therefore enhance overall business efficiency. Biographical details of the management staff are set out in the section headed "Directors and Management" of this report.

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 information of SF REIT and the REIT Manager;
- approval of interim, final and other distributions;
- approval of acquisition or disposal of properties by SF REIT;
- approval of issue and placement of new units or buy-back of units;
- approval of appointment or removal of the CEO, ED and the company secretary of the REIT Manager;
- 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 CEO 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 at approximately quarterly intervals. The Board held six meetings during the Year. 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 Board meeting and reasonable notice is given for all other meetings. Agenda is prepared in consultation, respectively, with the Board Chairman/CEO 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

Directors' Attendance at Meetings

Attendance record of each Director at Board meetings, Board Committees meetings and annual general meeting during the Year is set out below:

	Board	Investment Committee	Audit Committee	Nomination and Remuneration Committee	Disclosures Committee	2023 Annual General Meeting
	(Number of meetings attended/eligible to attend)					
Executive Director						
 Hubert CHAK	6/6	5/5	-	-	-	1/1
Non-executive Directors						
 WANG Wei ⁽¹⁾	3/4(C)	-	-	-	-	1/1(C)
 HO Chit ⁽²⁾	5/5(C)	5/5(C)	-	3/3	-	1/1
 OOI Bee Ti	5/5	-	-	-	-	1/1
 GAN Ling	5/5	-	-	-	-	1/1
 LI Juhua ⁽³⁾	1/1	-	-	-	-	-
Independent Non-executive Directors						
 TAN Huay Lim	6/6	-	3/3(C)	3/3	3/3	1/1
 HO Lap Kee	6/6	-	3/3	3/3(C)	3/3	1/1
 CHAN Ming Tak, Ricky	6/6	5/5	3/3	-	3/3(C)	1/1
 KWOK Tun Ho, Chester	6/6	-	3/3	3/3	-	1/1
 Michael Tjahja SUSANTO	6/6	5/5	-	-	-	1/1

C: Board Chairman/chairman of the Board Committee

Notes:

- (1) Mr. WANG Wei resigned as a NED and the Board Chairman with effect from 18 August 2023.
- (2) Mr. HO Chit, a NED, was appointed as the Board Chairman with effect from 18 August 2023.
- (3) Ms. LI Juhua was appointed as a NED with effect from 18 August 2023.

During the Year, the Board Chairman met privately with the INEDs to discuss issues of their concern.

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. During the Year, the company secretary of the REIT Manager has complied with all the required qualifications, experience and training requirements of the Listing Rules.

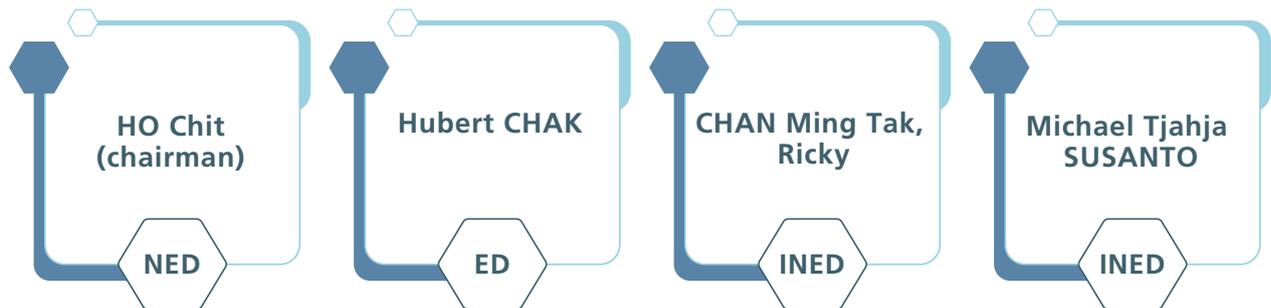
Board Committees of the REIT Manager

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

The Investment Committee comprises the following four members:





Corporate Governance Report

Key Role

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

The Investment Committee held five meetings during the Year.

Tasks performed during the Year

- Reviewed budgets of SF REIT and the REIT Manager
- Reviewed portfolio performance of SF REIT against budget and targets
- Reviewed semi-annually the property valuation of SF REIT's properties prepared by the property valuer
- Reviewed the debt portfolio and debt financing plan
- Considered and endorsed foreign exchange and interest rate hedging proposals submitted by management
- Reviewed the investment plan
- Considered and recommended to the Board on the amendments to the terms of reference of the Investment Committee
- Considered and recommended to the Board on the appointment of a new principal valuer of SF REIT
- Reviewed the sensitivity analysis on valuation conducted by management
- Reviewed and endorsed the proposal for payment of manager's fee by SF REIT to the REIT Manager entirely in the form of new units of SF REIT in lieu of cash for the Board's approval
- Reviewed and endorsed the election of receiving the manager's fee for the year ending 31 December 2024 entirely in the form of new units of SF REIT in lieu of cash for the Board's approval
- Considered the proposed sale of properties by SFH and reported to the Board conclusions of its review and recommendation on the proposal

Audit Committee

The Audit Committee comprises the following four members:



At least one of the Audit Committee members possesses appropriate professional qualifications, accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules (as if such rule were applicable to SF REIT).

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.



Corporate Governance Report

The Audit Committee held three meetings during the Year.

Tasks performed during the Year

- Reviewed the annual report comprising the corporate governance report, and the final results announcement of SF REIT for the year ended 31 December 2022 and submitted the same to the Board for approval
- Reviewed the interim report and the interim results announcement of SF REIT for the six months ended 30 June 2023 and submitted the same to the Board for approval
- Reviewed the audited financial statements of the REIT Manager for the year ended 31 December 2022 and submitted the same to the Board for approval
- Reviewed the ESG report of SF REIT for the year ended 31 December 2022 and submitted the same to the Board for approval
- Reviewed and endorsed the ESG key performance targets and related policy for the Board's approval
- Reviewed connected party transactions to ensure compliance with the requirements of the REIT Code and the Listing Rules
- Reviewed the internal and external audit plans
- Reviewed the internal and external audit reports
- Considered and recommended to the Board on the re-appointment of external auditor and approved the terms of engagement
- Considered and recommended to the Board on the appointment of a new internal auditor of SF REIT and the REIT Manager for the years from 2024 to 2026
- Assessed risk environment of SF REIT and reviewed risk assessment report
- Assessed the effectiveness and adequacy of the internal control and risk management systems
- Reviewed the adequacy of resources, staff qualifications and experience and training programmes and budget of accounting and financial reporting functions, as well as those relating to ESG performance and reporting
- Considered and recommended to the Board on the amendments to the non-audit services policy
- Reviewed regulatory compliance reports submitted by the Head of Compliance

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises the following four members:



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 INEDs; reviewing, implementing and monitoring the board diversity policy; reviewing, implementing and monitoring the nomination policy; 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.

Corporate Governance Report

The Nomination and Remuneration Committee held three meetings during the Year.

Tasks performed during the Year

- Reviewed the structure, size and composition of the Board and Board Committees, and the diversity and evaluated performance of the Board
- Assessed the independence of each of the INEDs
- Reviewed Directors' time commitment in performing their duties and responsibilities
- Considered and recommended to the Board the appointment of a new NED and the Board Chairman, and re-appointment of the retiring INEDs
- Reviewed and recommended to the Board the INEDs' fees for the Year
- Reviewed the overall remuneration policy and pay level of the staff of the REIT Manager
- Considered and reviewed the remuneration packages of the management staff and the performance target of the ED, and recommended the remuneration package of the ED to the Board for approval
- Reviewed the nomination policy
- Considered, reviewed and recommended to the Board on the amendments to the board diversity policy
- Reviewed and endorsed the management manpower deployment plan for the Board's approval

Disclosures Committee

The Disclosures Committee comprises the following three members:



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.

The Disclosures Committee held three meetings during the Year.

Tasks performed during the Year

- Reviewed disclosures in announcements, press releases, interim and annual reports, ESG report, and other public regulatory filings and corporate communications of SF REIT prior to such disclosures being published
- Considered and recommended to the Board on the amendments to the terms of reference of the Disclosures Committee
- Reviewed the unitholders' communication policy

Accountability and Audit

Directors' Responsibility for the Financial Statements

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

The external auditor's reporting responsibilities are set out in the Independent Auditor's Report on pages 65 to 70 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.

Corporate Governance Report

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 Year are set out below:

Services rendered	Fees payable <i>HK\$</i>
Audit services and audit related assurance services	2,304,000
Non-audit services:	
– Others	220,000
Total	2,524,000

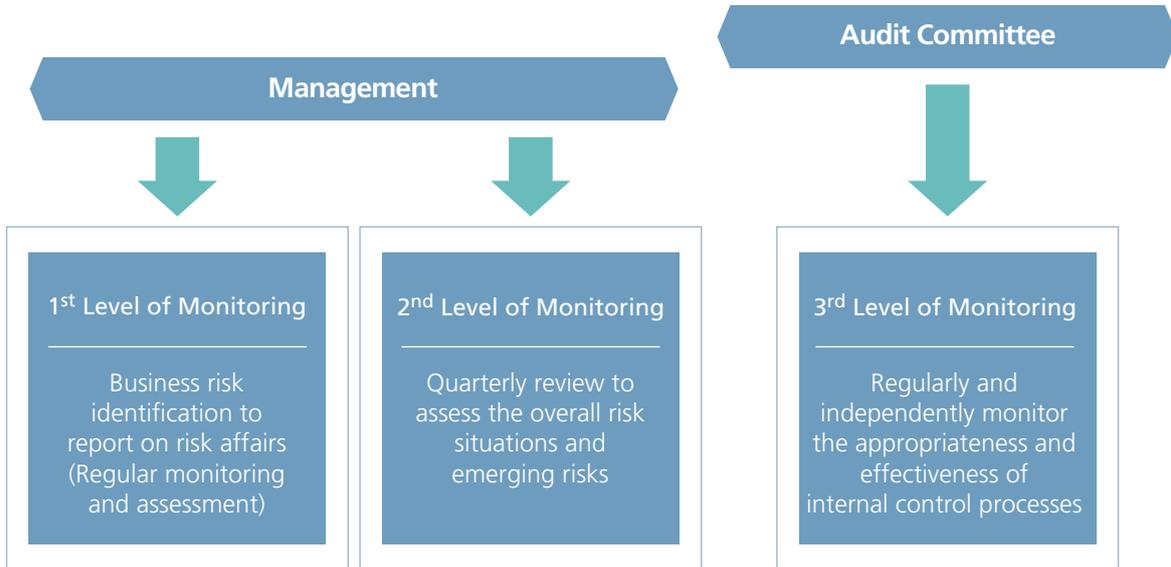
The REIT Manager has also adopted a stringent policy with respect to employment of employees or former employees of the external auditor to take up senior management or audit or financial positions to avoid potential conflict of interest with the external auditor.

Risk Management and Internal Control

Risk Management

SF REIT recognises the importance of maintaining sound internal control and risk management systems to safeguard Unitholders' interests and investments, SF REIT's assets, as well as managing business risks. Our risk governance structure under its risk management system is shown below. A 3-level risk monitoring system is adopted as defined and supported by the REIT Manager's risk management policy.

Risk Governance Structure



1st Level of Monitoring

At the front are the function heads who are responsible to identify, monitor and report risks (including ESG and climate-related risks) in day-to-day operations. Through such process, the REIT Manager strives to manage risks to an acceptable residual level for the achievement of business goals.

2nd Level of Monitoring

In the second level is the risk taskforce led by the CEO with the assistance of the manager-in-charge of Risk Management. The risk taskforce conducts risk assessment quarterly.

3rd Level of Monitoring

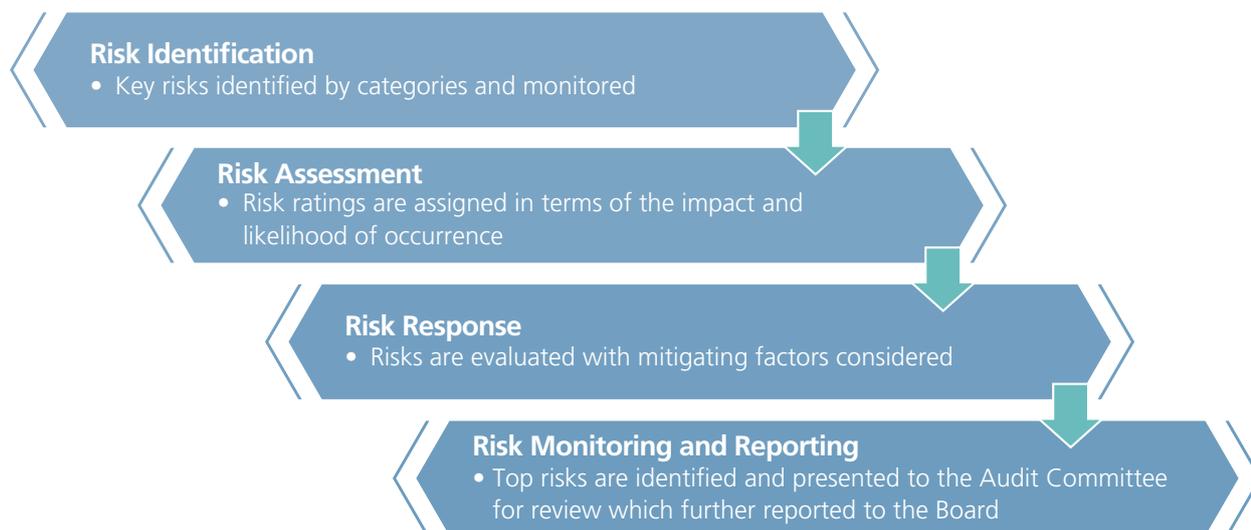
The risk taskforce reports the results of risk assessment half-yearly to the Audit Committee, which in turn reports to the Board on its review, advises on the effectiveness of the risk assessment system, and if applicable, recommends on any risk mitigating measures.

Risk Management Methodology

SF REIT adopts the COSO ERM Framework in establishing its ERM system which illustrates the key components of any ERM system. The process would involve collating and appraising bottom-up input from risk owners, with refinements and adjustments through top-down input at CEO and function heads levels in an interactive manner.

Corporate Governance Report

SF REIT's methodology for its risk assessment comprises four core stages as below:



Internal Control Framework

The Board is entrusted with the ultimate responsibility for risk management and ensuring the establishment and maintenance of adequate and effective risk management and internal control systems for SF REIT on an ongoing basis, with the assistance of the Audit Committee in overseeing their effectiveness and adequacy. The Audit Committee supports the Board in overseeing the effectiveness and adequacy of SF REIT's risk management and internal control systems. SF REIT has engaged an independent internal auditor to conduct independent reviews, ensuring the adequacy, effectiveness, and efficiency of operational processes and internal controls. In accordance with the three-year internal audit plan approved by the Audit Committee, the independent internal auditor conducts half-yearly reviews on key business areas.

Internal audit reviews were conducted for the Year. The independent internal auditor prepared a summary report that included major findings, recommendations, the implementation status, and the accomplishment of the audit plan, which was reported to the Audit Committee. It was determined that effective and adequate controls were in place, and no major irregularities were noted.

Internal Control System

The risk management and internal control systems of SF REIT are designed to manage rather than eliminate the risk of failure in achieving business objectives, and thus can only provide reasonable but not absolute assurance against material misstatements or losses. A series of key policies and procedures are established to ensure that relevant management directives are carried out, and actions, including verifications and approvals, reviews and safeguarding of assets, are taken to address risks. The REIT Manager has adopted an inside information disclosure policy which sets out procedures and internal controls for the REIT Manager on handling and dissemination of inside information. When information is determined by management to be inside information, CEO will evaluate the situation and may escalate to the Board to determine the appropriate actions to be taken including public disclosure.

Review of Risk Management and Internal Control Systems

During the Year, the risk taskforce performed comprehensive risk assessment exercises and identified key risks relevant to SF REIT's business and operations, assessed their likelihood and impact to SF REIT as well as the mitigating controls. In assessing any business risk, the risk taskforce considers both the economic and environmental aspects and risks related to the property market. In relation to the identified key ESG and climate-related risks, SF REIT has disclosed a climate-related disclosure report on its website and implemented several ESG and climate-related policies. The key risks were recorded in a register to facilitate ongoing monitoring. The REIT Manager will continue to monitor any changes to SF REIT's risk profile and stay alert to any emerging risk.

During the Year, 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 reviewed and was satisfied that the risk management and internal control systems had been effective and adequate during the Year.

The Audit Committee also reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, financial reporting functions, as well as those relating to ESG performance and reporting during the Year.

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 Year, Mr. WANG Wei, a former NED, and four current NEDs, namely Mr. HO Chit, Ms. OOI Bee Ti, Ms. GAN Ling and Ms. LI Juhua, hold directorships, shareholding interests or senior management positions 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, a former NED, and the four current NEDs, namely Mr. HO Chit, Ms. OOI Bee Ti, Ms. GAN Ling and Ms. LI Juhua, 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.



Corporate Governance Report

Apart from the Competing Businesses, the REIT Manager which manages SF REIT is an indirect subsidiary of SFH. Therefore, there may be circumstances where conflict of interests amongst the REIT Manager, SF REIT and SFH may arise. The Operations Manager is an indirect subsidiary of SFH and it also provides services to properties and entities within the SFH Group. The Operations Manager 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 INEDs in the Board who are not related to the SFH Group and can therefore act independently for the sole interest of SF REIT and address any potential conflict of interests with the SFH Group.

With regard to the Operations Manager appointed for managing Foshan Property, Wuhu Property and Changsha 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 Operations Manager. 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 Operations Manager with those of SF REIT and the Unitholders. The REIT Manager has also required the Operations Manager 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 persons will be managed by convening a physical Board meeting where all INEDs 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.

Employees and Workforce Diversity

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.

The REIT Manager is committed to ensuring that gender diversity is achieved in the workforce. As of 31 December 2023, the REIT Manager's overall workforce comprises around 70% males and 30% females and will continue to maintain a diverse workforce.

Whistleblowing and Anti-corruption

The REIT Manager has adopted a whistleblowing policy to ensure that proper arrangements are put in place for its 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 CEO 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 Directors and employees of the REIT Manager at all times. The REIT Manager has adopted the anti-corruption policy, as complemented with the gifts and entertainment policy (collectively the “**anti-corruption policies**”) to strictly prohibit all Directors and employees of the REIT Manager from soliciting, accepting or offering any bribe in the course of business of the REIT Manager and the Group. The REIT Manager has required all its Directors and employees to comply with the anti-corruption policies.

Compliance

Corporate Governance Code

SF REIT and the REIT Manager have applied the principles and complied with, to the extent applicable, the code provisions in the Corporate Governance Code contained in Appendix C1 to the Listing Rules throughout the Year.

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 C3 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 Year.



Corporate Governance Report

Other Compliance

Throughout the Year, 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.

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 to enhance a culture of disclosure to Unitholders the ongoing developments of SF REIT. During the Year, the Board, through the Disclosures Committee, has conducted a review of the implementation and effectiveness of the policy and was satisfied that the policy was effective. 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(s) 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, 20th Floor, 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.

ESG Initiatives

The REIT Manager recognises the importance of integrating ESG principles and values into business decision-making process to create long-lasting value to Unitholders and society at large. It will continue to follow the key pillars of its ESG strategies, namely, green operation, partner engagement, employee empowerment and business integrity as stated in SF REIT's 2023 ESG report which was published at the same time as the publication of this report.



Corporate Governance Report

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 56 to 58.

Changes after Financial Year End

This report has taken into account changes occurred since the end of the financial year on 31 December 2023 up to the date of approval of this report by the Board on 14 March 2024.

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 CEO and certain persons interested in units of SF REIT (including short positions).

Interests of Directors

As at 31 December 2023, none of the Directors or the CEO had any interests or short positions 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 REIT Manager and the Hong Kong Stock Exchange pursuant to the provisions of Part XV of the SFO.

Interests of Substantial Unitholders

As at 31 December 2023, each of the following persons (other than the Directors or the CEO) 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	Long position/ Short position/ Lending pool	Approximate percentage of total units in issue (%) ⁽³⁾
SF Fengtai ⁽¹⁾	Beneficial owner	284,761,976	Long position	35.38
SFH ⁽¹⁾	Interest of controlled corporations	284,761,976	Long position	35.38
深圳明德控股發展有限公司 (Shenzhen Mingde Holding Development Co., Ltd.) ⁽¹⁾	Interest of controlled corporations	284,761,976	Long position	35.38
WANG Wei ⁽¹⁾	Interest of controlled corporations	284,761,976	Long position	35.38
China Orient Asset Management (International) Holding Limited ⁽²⁾	Interest of controlled corporations	152,105,000	Long position	18.90



Disclosure of Interests

Notes:

As at 31 December 2023:

1. 284,761,976 units were held directly by SF Fengtai, a direct wholly-owned subsidiary of Sunny Sail Holding Limited. Sunny Sail Holding Limited was a direct wholly-owned subsidiary of SF Holding (HK) Limited (formerly known as SF Holding Limited) (“**SFHK**”). SFHK 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 being majority-owned by 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. 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.), SFHK and Sunny Sail Holding Limited were all deemed to be interested in the same batch of 284,761,976 units held directly by SF Fengtai. 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 284,761,976 units.
2. These interests represented:
 - (i) 124,154,000 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 98.3% controlled by China Orient International Fund Management Limited (“**China Orient International**”). China Orient International was 100% controlled by China Orient Asset Management (International) Holding Limited (“**China Orient Asset Management**”). Accordingly, China Orient Asset Management, China Orient International and China Orient Multi-Strategy Fund were all deemed to be interested in the same batch of 124,154,000 units held directly by China Orient Multi-Strategy Master Fund; and
 - (ii) 27,951,000 units were held directly by China Orient Enhanced Income Fund which was 100% controlled by China Orient International. China Orient International was 100% controlled by China Orient Asset Management. Accordingly, China Orient Asset Management and China Orient International were both deemed to be interested in the same batch of 27,951,000 units held directly by China Orient Enhanced Income Fund.
3. The approximate percentage was calculated based on a total of 804,761,976 units in issue.

Interests of the REIT Manager

As at 31 December 2023, the REIT Manager did not hold any interest in units of SF REIT.

Interests of Other Connected Persons

After making reasonable enquiries and according to the information available to the REIT Manager, as at 31 December 2023, the interests in units of SF REIT held by connected persons (other than substantial holders of SF REIT, Directors or the CEO, the REIT Manager itself, and their respective associates) were as follows:

Name of Unitholder	Number of units held	Approximate percentage of total units in issue (%) ⁽²⁾
RREEF America LLC ⁽¹⁾	2,377,000	0.30

Notes:

1. RREEF America LLC is an associate of the Trustee.
2. The approximate percentage was calculated based on a total of 804,761,976 units in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of the Directors or the CEO or any of their respective associates and no other persons had any interests or short positions 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 REIT Manager and the Hong Kong Stock Exchange pursuant to the provisions of Part XV of the SFO.



Other Information

Issue of New Units

On 4 September 2023, a total of 4,761,976 new units of SF REIT were issued to the REIT Manager at a price of HK\$2.732 per unit as entire payment of the REIT Manager's fee of HK\$13,009,720.88 for the period from 1 January 2023 to 30 June 2023.

As at 31 December 2023, the total number of units of SF REIT in issue was 804,761,976 units.

Sale and Purchase of Real Estate

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

Details of the properties held by SF REIT as at 31 December 2023 are set out in the "Valuation Report" section on pages 138 to 160 of this report.

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 Year.

Major Real Estate Agents and Contractors

During the Year, the Group did not engage any real estate agent nor was any real estate agency fee incurred. According to the Operations Management Agreements (as amended by the Novation Agreements), the Operations Manager provided, among others, operations and property management services for Foshan Property, Wuhu Property and Changsha Property. Details of the Operations Management Agreements, Novation Agreements and property management fees incurred thereunder for the Year are set out in the "Connected Party Transactions" section of this report.

Other Information

During the Year, 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 <i>HK\$</i>	Percentage of total value of service contracts for the Year
Savills Property Management Limited	Property management	5,798,413	36.9%
CTBus Ltd	Shuttle bus service	4,235,534	26.9%
Mansion Fire Services Company Limited	Repairs and maintenance	1,295,900	8.2%
Sundart Technical Services Limited	Repairs and maintenance	1,214,100	7.7%
Mat Pro Limited	Repairs and maintenance	647,100	4.1%
Total		13,191,047	83.8%

Major Customers and Suppliers

The aggregate revenue attributable to the Group's five largest customers and the largest customer were 73.3% and 26.2%, respectively, of the Group's total revenue for the Year.

The aggregate purchases attributable to the Group's five largest suppliers and the largest supplier were 66.5% and 25.8%, respectively, of the Group's total purchases for the Year.

The top three customers of the Group for the Year 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. 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 Year, a beneficial interest in any of the Group's five largest customers or five largest suppliers.

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.



Other Information

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 Year.

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 Year had been reviewed by the Audit Committee, the Disclosures Committee and PricewaterhouseCoopers, the external auditor of SF REIT. The report of the external auditor is set out in the “Independent Auditor’s Report” section of this report on pages 65 to 70.

Final Distribution and Closure of Register of Unitholders

The final distribution of HK14.02 cents per unit for the period from 1 July 2023 to 31 December 2023 will be paid on Tuesday, 23 April 2024 to those Unitholders whose names appear on the register of Unitholders of SF REIT on Wednesday, 3 April 2024. For the purpose of ascertaining Unitholders’ entitlement to this distribution, the register of Unitholders of SF REIT will be closed from Tuesday, 2 April 2024 to Wednesday, 3 April 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 28 March 2024.

Connected Party Transactions

Pursuant to Chapter 8 of 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 Year.

Leasing Transactions with Connected Persons

On 29 April 2021 (Date of Establishment), the REIT Manager (in its capacity as manager of SF REIT) 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, for an initial term commencing from 17 May 2021 (Listing Date) and ending on 31 December 2026. Details of the leases entered into during the Year and rental income and other income (from provision of value-added services such as shuttle bus, cleaning and security guard services (the “**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 Year <i>HK\$'000</i>	Deposit provided in the form of cash and/or bank guarantee <i>HK\$'000</i>
S.F. Express (China) Limited	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of a Director in the last 12 months ⁽³⁾	Lease of premises of Tsing Yi Property and provision of Add-on Services	112,532.5	32,485.3
S.F. Express (Hong Kong) Limited	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of a Director in the last 12 months ⁽³⁾	Lease of premises of Tsing Yi Property and provision of Add-on Services	100,309.5	28,602.8
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of a Director in the last 12 months ⁽³⁾	Lease of premises of Foshan Property	50,419.0	8,875.7
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of a Director in the last 12 months ⁽³⁾	Lease of premises of Wuhu Property	10,539.4	981.9

Connected Party Transactions

Name of tenant	Relationship	Nature of transaction	Rental income and other income (excluding rental deposit) incurred for the Year <i>HK\$'000</i>	Deposit provided in the form of cash and/or bank guarantee <i>HK\$'000</i>
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of a Director in the last 12 months ⁽³⁾	Lease of premises of Wuhu Property	8,754.7	832.2
HAVI Logistics Services (Hong Kong) Limited	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of a Director in the last 12 months ⁽³⁾	Provision of Add-on Services for Tsing Yi Property	128.9	–
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of a Director in the last 12 months ⁽³⁾	Lease of premises of Changsha Property	15,102.1	2,123.0
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of a Director in the last 12 months ⁽³⁾	Lease of premises of Changsha Property	18,540.2	4,171.8
浙江雙捷供應鏈科技有限公司 (Zhejiang Shuangjie Supply Chain Technology Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of a Director in the last 12 months ⁽³⁾	Lease of premises of Changsha Property	2,047.5	394.7
Total			318,373.8	

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, a Director in the last 12 months

Connected Party Transactions

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 Year, 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\$318.4 million for the Year, which did not exceed the annual cap of rental income and other income of HK\$393.7 million for the Year.

Operations Management Transactions with Connected Persons

Each of Foshan Runzhong, Wuhu Fengtai and Changsha Jietai (the "**Property Companies**"), subsidiaries of SF REIT, had entered into the operations management agreements (the "**Operations Management Agreements**") with the respective previous operations managers of Foshan Property, Wuhu Property and Changsha Property in relation to the provision of operations and property management services for the relevant properties until 31 December 2023 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 the relevant Property Company.

On 1 October 2022, each of the Properties Companies, each of the previous operations managers and 深圳市豐泰產業園管理服務有限公司 (Shenzhen Fengtai Industrial Park Management Service Co., Ltd.) (the "**Operations Manager**") entered into a novation agreement whereby each of the previous operations managers novated all of its rights and obligations under the Operations Management Agreements to the Operations Manager with effect from 1 October 2022 (collectively, the "**Novation Agreements**").

Details of the management fees incurred under the Operations Management Agreements (as novated) during the Year are as follows:

Name of Operations Manager	Relationship	Nature of transaction	Expenses (management fee) incurred for the Year <i>HK\$'000</i>
深圳市豐泰產業園管理服務有限公司 (Shenzhen Fengtai Industrial Park Management Service Co., Ltd.)	associate of the REIT Manager ⁽¹⁾ associate of substantial holder ⁽²⁾ associate of a Director in the last 12 months ⁽³⁾	Provision of operations and property management services for Foshan Property and Wuhu Property	1,539.0
		Provision of operations and property management services for Changsha Property	1,084.0

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, a Director in the last 12 months



Connected Party Transactions

The REIT Manager had applied for, and the SFC had granted, a waiver exempting SF REIT from strict compliance with, in respect of the 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 Year, the REIT Manager had complied with the conditions of the SFC waiver. The total management fees incurred under the Operations Management Agreements (as amended by the Novation Agreements) in respect of the Foshan Property and the Wuhu Property, respectively for the Year were HK\$1.5 million, which did not exceed the annual cap of management fees of HK\$2.2 million for the Year. The management fee of HK\$1.1 million was incurred under the Operations Management Agreement (as amended by the Novation Agreement) in respect of the Changsha Property for the Year, which did not exceed the annual cap of management fee of HK\$1.5 million for the Year.

As announced by SF REIT on 13 December 2023, in view of the expiry of the Operations Management Agreements (as novated) on 31 December 2023, each of the Property Companies and the Operations Manager entered into a new operations management agreement for the relevant properties (collectively, the “**New Operations Management Agreements**”) on 13 December 2023 to renew the Operations Management Agreement (as novated) for a further period of three years commencing from 1 January 2024. Details of the New Operations Management Agreements as well as related annual caps and transactions contemplated thereunder have been set out in the related announcement and will also be disclosed in subsequent published interim and annual reports, and accounts of SF REIT for each of the financial years during the term of the agreements in accordance with the REIT Code and the Listing Rules, where applicable.

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 Operations Management Agreements (as amended by the Novation Agreements) for the Year 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 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 Operations Management Agreements (as amended by the Novation Agreements) for the Year 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 Year, Trustee's fee of approximately HK\$1.5 million was incurred for services provided by the Trustee.

Pursuant to the Trust Deed, REIT Manager's fee 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 Year, REIT Manager's fee of approximately HK\$27.8 million was incurred.

Further details of Trustee's fee and REIT Manager's fee incurred for the Year are respectively set out in Note 31(b)(vi) and Notes 13 and 31(b)(v) 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 1 January 2023 to 31 December 2023.

DB Trustees (Hong Kong) Limited

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

Hong Kong, 18 March 2024

Independent Auditor's Report



羅兵咸永道

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

Report on the Audit of the Consolidated Financial Statements

Opinion

What we have audited

The consolidated financial statements of SF Real Estate Investment Trust (the "SF REIT") and its subsidiaries (together the "Group"), which are set out on pages 71 to 137, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in net assets attributable to unitholders for the year then ended;
- the consolidated distribution statement for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 2.4, note 5.1 and note 15 to the consolidated financial statements.

The Group's fair value of investment properties in the consolidated balance sheet as at 31 December 2023 was HK\$7,388 million, and the fair value gain of investment properties for the year then ended was HK\$55 million.

The investment properties were appraised by a third party valuer (the "Valuer") with the income capitalisation approach as its primary approach with cross-reference to the direct comparison approach, where appropriate. The income capitalisation 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 capitalised to determine the fair value at an appropriate capitalisation 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 understood and evaluated 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 and professional qualification 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.

We, with the involvement of our internal valuation experts, made inquiries with the Valuer and management about, and assessed the valuation methodology 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.



Independent Auditor's Report

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 the 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 IFRS Accounting Standards issued by the 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 (the “**REIT Code**”) issued by the Hong Kong Securities and Futures Commission.

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

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 HKSAAs 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 HKSAAs, 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 Lam Sung Wan.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 14 March 2024

Consolidated Income Statement

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	6	444,918	421,469
Property operating expenses	8	(87,264)	(77,908)
Net property income		357,654	343,561
General and administrative expenses	9	(37,440)	(31,968)
Fair value changes on investment properties	15	55,013	301,231
Other gains – net	10	2,778	870
Operating profit		378,005	613,694
Finance income		9,200	3,537
Finance costs	11	(113,958)	(73,195)
Profit before taxation and transactions with Unitholders		273,247	544,036
Income tax expenses	12	(53,778)	(104,363)
Profit for the year, before transactions with Unitholders		219,469	439,673
Distribution paid to Unitholders			
– 2023 interim distribution (paid on 25 September 2023)		(117,120)	–
– 2022 final distribution (paid on 28 April 2023)		(112,560)	–
– 2022 interim distribution (paid on 29 September 2022)		–	(109,388)
– 2021 final distribution (paid on 6 May 2022)		–	(137,915)
		(10,211)	192,370
Basic earnings per unit	14	HK27.38 cents	HK54.96 cents
Diluted earnings per unit	14	HK27.19 cents	HK54.96 cents

The Notes on pages 79 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Before transactions with Unitholders <i>HK\$'000</i>	Transactions with Unitholders (Note) <i>HK\$'000</i>	After transactions with Unitholders <i>HK\$'000</i>
For the year ended 31 December 2023			
Profit for the year	219,469	(190,295)	29,174
Other comprehensive income			
<i>Items that may be reclassified subsequently to consolidated income statement:</i>			
Changes in fair value of derivatives that are designated as cash flow hedges, net of tax	(15,250)	–	(15,250)
Exchange loss on translation of financial statements	(13,924)	–	(13,924)
Total comprehensive income for the year ended 31 December 2023	190,295	(190,295)	–
For the year ended 31 December 2022			
Profit for the year	439,673	(415,622)	24,051
Other comprehensive income			
<i>Items that may be reclassified subsequently to consolidated income statement:</i>			
Changes in fair value of derivatives that are designated as cash flow hedges, net of tax	42,764	–	42,764
Exchange loss on translation of financial statements	(66,815)	–	(66,815)
Total comprehensive income for the year ended 31 December 2022	415,622	(415,622)	–

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 29 April 2021 (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 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 International Accounting Standard ("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 79 to 137 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Investment properties	15	7,388,198	7,377,618
Property, plant and equipment	16	13,761	14,141
Land use rights		578	601
Intangible assets		133	221
Derivative financial instruments	18	32,950	51,214
		7,435,620	7,443,795
Current assets			
Trade receivables	19	1,794	1,689
Amounts due from related companies	31(c)(i)	8,186	6,327
Prepayments and other receivables	20	20,796	25,629
Restricted cash	21	35,645	65,912
Cash and cash equivalents	21	190,247	274,136
		256,668	373,693
Total assets		7,692,288	7,817,488
LIABILITIES			
Current liabilities			
Borrowings	22	47,464	48,210
Trade payables	24	857	1,153
Amounts due to connected persons and related companies	25,31(c)(ii)	83,437	77,378
Other payables	26	73,201	126,238
Current tax liabilities		3,261	5,072
		208,220	258,051

Consolidated Balance Sheet

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current liabilities, excluding net assets attributable to Unitholders			
Borrowings	22	2,515,970	2,601,904
Deferred tax liabilities	23	696,727	658,279
Deferred government grants		37,753	39,261
		3,250,450	3,299,444
Net current assets		48,448	115,642
Total assets less current liabilities		7,484,068	7,559,437
Total liabilities, excluding net assets attributable to Unitholders			
		3,458,670	3,557,495
Net assets attributable to Unitholders		4,233,618	4,259,993
Units in issue (Thousand)	30	804,762	800,000
Net assets per unit attributable to Unitholders		HK\$5.26	HK\$5.32

The Notes on pages 79 to 137 are an integral part of these consolidated financial statements.

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

HO Chit
Director

Hubert CHAK
Director

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2023

	Note	Net Assets Attributable to Unitholders <i>HK\$'000</i>
As at 1 January 2023		4,259,993
Units issued to REIT Manager	30	13,010
Profit for the year, before transactions with Unitholders		219,469
Distribution paid to the Unitholders		(229,680)
Exchange losses on translation of financial statements		(13,924)
Cash flow hedging reserve		(15,250)
As at 31 December 2023		4,233,618
As at 1 January 2022		4,091,674
Profit for the year, before transactions with Unitholders		439,673
Distribution paid to the Unitholders		(247,303)
Exchange losses on translation of financial statements		(66,815)
Cash flow hedging reserve		42,764
As at 31 December 2022		4,259,993

The Notes on pages 79 to 137 are an integral part of these consolidated financial statements.

Consolidated Distribution Statement

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Profit for the year, before transactions with Unitholders		219,469	439,673
Adjustments:			
– Fair value changes on investment properties	15	(55,013)	(301,231)
– REIT Manager's fee payment in the form of units	13	27,756	–
– Differences between finance cost and interest paid in accordance with contractual obligations		89	182
– Deferred tax charges	12	42,354	93,614
– Depreciation and amortisation		2,179	1,572
– Appropriation to PRC statutory reserve		(3,129)	(3,638)
– Amortisation of cost of debt	11	773	744
– Amortisation of government grants		(869)	(759)
– Non-cash foreign exchange loss		373	3,734
– Differences between accrued rental income and contractual rental income		(4,029)	(11,959)
Total distributable income		229,953	221,932
Interim distribution, paid to Unitholders		117,087	109,388
Final distribution, to be paid/paid to Unitholders		112,866	112,544
Total distributions to Unitholders for the year		229,953	221,932
Percentage of distribution over total distributable income for the year (Note (i))		100%	100%
Units in issue as at year end (Thousand)	30	804,762	800,000
Distributions per unit to Unitholders:			
– Interim distribution per unit, paid to Unitholders (Note (ii))		HK14.64 cents	HK13.67 cents
– Final distribution per unit, to be paid/paid to Unitholders (Note (iii))		HK14.02 cents	HK14.07 cents
Distribution per unit for the year		HK28.66 cents	HK27.74 cents



Consolidated Distribution Statement

For the year ended 31 December 2023

Notes:

- (i) Pursuant to the Trust Deed, the distributable income is profit for the year, 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 SF REIT's annual distributable income for each financial year save for the first distribution. The REIT Manager decided to distribute 100% of the Annual Distributable Income (as defined in the Trust Deed) for the year ended 31 December 2023.
- (ii) The interim distribution per unit of HK14.64 cents for the period from 1 January 2023 to 30 June 2023 (2022 interim distribution per unit: HK13.67 cents) was calculated based on the interim distribution amount of HK\$117,087,000 (2022 interim distribution: HK\$109,388,000) over 800,000,000 units in issue as at 30 June 2023 (30 June 2022: 800,000,000 units in issue). The interim distribution was paid on 25 September 2023 (2022 interim distribution: 29 September 2022).
- (iii) The final distribution per unit of HK14.02 cents for the period from 1 July 2023 to 31 December 2023 (2022 final distribution per unit: HK14.07 cents), was calculated based on the final distribution amount of HK\$112,866,000 (2022 final distribution: HK\$112,544,000) over 804,761,976 units in issue as at 31 December 2023 (31 December 2022: 800,000,000 units in issue). The final distribution will be paid on 23 April 2024 (2022 final distribution: 28 April 2023).

The Notes on pages 79 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities			
Cash generated from operations	27(a)	249,885	169,737
Interest received		9,296	2,513
Income tax paid		(13,314)	(8,482)
Net cash generated from operating activities		245,867	163,768
Cash flows from investing activities			
Transfer from restricted cash		123,287	77,232
Acquisition of subsidiaries, net of cash acquired		–	(247,905)
Professional fees paid in relation to an acquisition		–	(10,219)
Settlement of investment properties payable		(25,227)	(3,851)
Additions of property, plant and equipment		(4,595)	(2,346)
Additions of intangible assets		(5)	–
Net cash generated from/(used in) investing activities		93,460	(187,089)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs paid		–	261,889
Repayment of bank borrowings		(80,065)	(41,238)
Interest paid		(113,098)	(72,216)
Distributions paid to Unitholders		(229,680)	(247,303)
Net cash used in financing activities		(422,843)	(98,868)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		274,136	397,453
Effects of exchange rate changes on cash and cash equivalents		(373)	(1,128)
Cash and cash equivalents at end of the year		190,247	274,136

The Notes on pages 79 to 137 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 (the “**Stock Exchange**”) on 17 May 2021. SF REIT is governed by a trust deed dated 29 April 2021 entered into between SF REIT Asset Management Limited (the “**REIT Manager**”) and DB Trustees (Hong Kong) Limited (the “**Trustee**”), as amended by any supplemental deed (the “**Trust Deed**”).

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

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

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group.

2. Summary of material accounting policies

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“**IFRS**”). 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 2023 are applied to the Group in the consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and 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 year ended 31 December 2023

2. Summary of material accounting policies (continued)

2.2. New standards and amendments to standards effective for the year ended 31 December 2023:

		Effective for accounting periods beginning on or after
IFRS 17	Insurance Contracts	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
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The adoption of these new and amended standards did not result in any significant impact on the results and financial position of the Group.

2.3. New standards and amendments to standards have been issued but are not yet effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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 year ended 31 December 2023

2. Summary of material accounting policies (continued)

2.4. 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 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 consolidated income statement in the period in which the property is derecognised.

2.5. Derivative financial instruments and hedge accounting

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently re-measured at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking its hedge transactions.

Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

The changes in the fair value of the effective portion of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income (the "OCI") and deferred in a cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. Summary of material accounting policies (continued)

2.5. Derivative financial instruments and hedge accounting (continued)

Amounts accumulated in hedging reserves are transferred to the consolidated income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in the cash flow hedging reserve are immediately reclassified to the consolidated income statement.

2.6. 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. Summary of material accounting policies (continued)

2.6. Current and deferred income tax (continued)

(b) Deferred income tax (continued)

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 2.4, 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.

(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 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 recognised in other comprehensive income or directly in equity, respectively.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. Summary of material accounting policies (continued)

2.7. 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 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". It is shown on the consolidated balance sheet as the net assets attributable to Unitholders.

3. Summary of other accounting policies

3.1. Subsidiaries

3.1.1. Consolidation

(a) *Basis of consolidation*

The consolidated financial statements include the financial statements of SF REIT and its subsidiaries. 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:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Summary of other accounting policies (continued)

3.1. Subsidiaries (continued)

3.1.1. Consolidation (continued)

(b) Business combination (continued)

- 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.

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Summary of other accounting policies (continued)

3.2. 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.

3.3. Foreign currency translation

3.3.1. 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.

3.3.2. 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 statements on a net basis within "Other gains/(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Summary of other accounting policies (continued)

3.3. Foreign currency translation (continued)

3.3.3. 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.

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 profit or loss, 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Summary of other accounting policies (continued)

3.4. 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 amounts if the asset's carrying amount is greater than its estimated recoverable amounts.

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

3.5. 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 statements on a straight-line basis over the remaining period of the lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Summary of other accounting policies (continued)

3.6. 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.

3.7. 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.

3.8. 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.

3.8.1. 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Summary of other accounting policies (continued)

3.8. Financial instruments (continued)

3.8.1. Financial assets (continued)

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Summary of other accounting policies (continued)

3.8. Financial instruments (continued)

3.8.2. Financial liabilities

Financial liabilities of the Group are financial liabilities at amortised cost, which mainly comprise trade and other payables, amounts due to connected persons and 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 consolidated income statement for the current period.

3.9. 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 year ended 31 December 2023

3. Summary of other accounting policies (continued)

3.10. 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.

3.11. 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.

3.12. 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 year ended 31 December 2023

3. Summary of other accounting policies (continued)

3.13. 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.

3.14. 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 consolidated income statement in the period in which they are incurred.

3.15. 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. Summary of other accounting policies (continued)

3.15. Revenue recognition (continued)

(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 recognises the fee received or receivable from tenants as its revenue.

(c) Interest income

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

3.16. 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 statements 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 consolidated income statement, on a straight-line basis over the expected lives of the related assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 Mainland China 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.

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 22.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2023 HK\$'000	Percentage of total loans	31 December 2022 HK\$'000	Percentage of total loans
Variable rate borrowings	2,436,827	96%	2,455,877	93%
Fixed rate borrowings – maturity dates:				
Less than 1 year	31,594	1%	32,099	1%
Between 1 and 2 years	31,594	1%	32,099	1%
Between 2 and 5 years	63,419	2%	130,039	5%
	2,563,434	100%	2,650,114	100%

As at 31 December 2023, swaps in place cover approximately 37% (2022: 37%) of the variable rate loan principal outstanding. The fixed interest rate of the swaps range between 2.79% and 2.82% (2022: 2.79% and 2.82%) and the variable rates of the loans are 1.1% (2022: 1.1%) above the one-month Hong Kong Interbank Offer Rate and 0.2% (2022: 0.9%) above 5-year Loan Prime Rate for loans denominated in HK\$ and RMB respectively.

During the year ended 31 December 2023, the Group entered into 3 interest rate swap contracts with the maturity date of 29 December 2023, the total notional amount was HK\$1,259 million and the fixed interest rate of the swaps ranged between 5.80% and 5.90%. Due to change in fair value of the aforementioned hedging instruments, HK\$1,083,000 was recognised in profit or loss for the year ended 31 December 2023.

The swap contracts require settlement of net interest receivable or payable every month. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

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For the year ended 31 December 2023

4. Financial risk management (continued)

4.1. Market risk (continued)

4.1.2. Interest rate risk (continued)

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Carrying amount	32,950	51,214
Notional amount	900,000	900,000
Maturity date	February 2026	February 2026
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments for the year	4,638	49,774
Change in value of hedged item used to determine hedge effectiveness	(4,638)	(49,774)
Weighted average hedged rate for the year	2.8%	2.8%

Profit or loss is sensitive to higher/lower interest expenses from borrowings as a result of changes in interest rates. Hedging reserve changes as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings. The table below summarises the impact of increases/decreases of interest rate on the Group's post-tax profit and the hedging reserve for the year ended 31 December 2023 and 2022, holding all other variables constant.

	Impact on post-tax profit		Impact on hedging reserve	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest rate – increase/decrease by 100 basis points (2022 – 100 basis points)	7,354	10,554	14,184	7,622



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 Mainland China, 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 parties.

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 parties.

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.

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For the year ended 31 December 2023

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 maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

As at 31 December 2023	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	857	–	–	–	857
Other payables	67,685	–	–	–	67,685
Amounts due to connected persons and related companies	79,295	–	–	–	79,295
Borrowings	171,311	174,881	2,442,200	94,170	2,882,562

As at 31 December 2022	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	1,153	–	–	–	1,153
Other payables	126,238	–	–	–	126,238
Amounts due to connected persons and related companies	77,378	–	–	–	77,378
Borrowings	181,097	179,062	2,593,530	164,909	3,118,598

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2023 and 2022, the gearing ratio of the Group was as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total borrowings	2,563,434	2,650,114
Total assets	7,692,288	7,817,488
Gearing ratio	33.3%	33.9%

(ii) Loan covenants

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

- (a) the consolidated profits before interest, income taxes, depreciation and amortisation shall not be less than three times of the consolidated interest expense;
- (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 year ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 year ended 31 December 2023 and 2022.

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 year ended 31 December 2023 and 2022.

See Note 15 for investment properties and Note 18 for derivative financial instruments.

5. Critical accounting estimates and judgements

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. Critical accounting estimates and judgements (continued)

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 the assumptions have been disclosed in Note 15.

5.2. Critical accounting judgements

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.

6. Revenue

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Rental income (Note (i))	377,890	357,141
Management service income (Note (ii))	51,815	45,423
Others (Note (iii))	15,213	18,905
	444,918	421,469

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. Revenue (continued)

Notes:

- (i) As at 31 December 2023 and 2022, the Group had minimum lease payment receivables on lease of investment properties including warehouses, distribution centres, office buildings and car parking spaces are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	359,570	359,318
Between 1 and 2 years	332,952	319,743
Between 2 and 3 years	140,969	298,613
Between 3 and 4 years	10,373	107,413
Between 4 and 5 years	1,710	10,262
More than 5 years	–	1,710
	845,574	1,097,059

- (ii) Revenue from providing management services to customers is recognised over time. The Group applied the practical expedient in IFRS 15 to recognise revenue in the amount that the Group has the right to invoice based on the terms of the relevant agreements. As permitted by IFRS 15, the contract price of management service income allocated to the remaining performance obligations is not disclosed.
- (iii) Others mainly represent revenue generated from supplementary services, which is recognised at a point in time.

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 three property companies in Mainland China, which are principally engaged in property investment. Revenue recognised for the current period is mainly from rental income and related 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 Mainland China.

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For the year ended 31 December 2023

7. Segment information (continued)

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

For the year ended 31 December 2023	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	322,375	122,543	444,918
Net property income	263,967	93,687	357,654
Fair value changes on investment properties	43,000	12,013	55,013
General and administrative expenses			(37,440)
Other gains – net			2,778
Finance income			9,200
Finance costs			(113,958)
Income tax expenses			(53,778)
Profit for the year, before transactions with Unitholders			219,469

For the year ended 31 December 2022	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	317,634	103,835	421,469
Net property income	263,553	80,008	343,561
Fair value changes on investment properties	284,000	17,231	301,231
General and administrative expenses			(31,968)
Other gains – net			870
Finance income			3,537
Finance costs			(73,195)
Income tax expenses			(104,363)
Profit for the year, before transactions with Unitholders			439,673

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7. Segment information (continued)

Depreciation and amortisation of Hong Kong segment and Mainland China segment for the year ended 31 December 2023 was approximately HK\$1,203,000 (2022: HK\$630,000) and approximately HK\$976,000 (2022: HK\$942,000) 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:

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Segment assets		
Hong Kong	6,002,138	5,963,468
Mainland China	1,484,561	1,568,358
All other segments	205,589	285,662
	7,692,288	7,817,488
Segment liabilities, excluding net assets attributable to Unitholders		
Hong Kong	725,136	693,886
Mainland China	540,807	687,470
All other segments	2,192,727	2,176,139
	3,458,670	3,557,495

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For the year ended 31 December 2023

8. Property operating expenses

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Property management fees	41,065	40,476
– Building management fees (Note (i))	29,113	26,383
– Supplemental services related expenses	11,952	14,093
Rates and government rent	9,144	8,452
Repairs and maintenance	11,062	6,536
Electricity and water fee	6,997	6,273
Other taxes (Note (ii))	15,926	13,597
Others	3,070	2,574
	87,264	77,908

Notes:

- (i) Building management fees included operation manager's fees to operation managers which are subsidiaries of S.F. Holding Co., Ltd. of approximately HK\$2,623,000 for the year ended 31 December 2023 (2022: HK\$2,140,000).
- (ii) Other taxes mainly include property tax, land use tax, and stamp duty of Mainland China.

9. General and administrative expenses

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditors' remuneration		
– Audit and audit-related assurance services	2,304	2,333
– Other services	220	545
REIT Manager's fee	27,756	25,438
Trustee's fee	1,538	1,563
Principal valuer's fee	293	273
Legal and professional fee	4,691	1,900
Bank charges	58	75
Others	580	(159)
	37,440	31,968

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10. Other gains – net

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Exchange losses	(398)	(3,850)
Amortisation of government grants	3,015	759
Settlement of the currency forward contract	39	3,173
Others	122	788
	2,778	870

11. Finance costs

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expenses on bank borrowings (Note 22)	113,185	72,451
Amortisation of cost of debts	773	744
	113,958	73,195

12. Income tax expenses

For the year ended 31 December 2023 and 2022, Hong Kong profits tax was subject to the rate of 16.5% on the estimated assessable profit. The Group's subsidiaries in Mainland China were subject to corporate income tax ("CIT") at a standard rate of 25% on the estimated assessable profit for the year. Withholding tax was provided for undistributed profits of subsidiaries in Mainland China at a rate of 10%.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
– Mainland China CIT	11,274	10,715
– Withholding taxes	150	34
Deferred income tax	42,354	93,614
	53,778	104,363

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. Income tax expenses (continued)

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 year were as follows:

	2023 HK\$'000	2022 HK\$'000
Profit before taxation and transactions with Unitholders	273,247	544,036
Expected tax calculated at the Hong Kong profits tax rate of 16.5%	45,086	89,766
Effect of different tax rates	4,544	5,211
Income not subject to tax purposes	(1,571)	(643)
Expenses not deductible for tax purposes	1,906	4,563
Tax losses not recognised	269	2,663
Over-provision in prior years	(37)	(196)
Withholding taxes	3,581	2,999
	53,778	104,363

13. REIT Manager's fee

Pursuant to the Trust Deed, the REIT Manager is entitled to receive management fee for its services as the manager of SF REIT, which is the aggregate of:

- (i) 10% per annum of the base fee distributable income (the "**Base Fee**"). The base fee distributable income is the amount of the total distributable income to Unitholders calculated before accounting for the Base Fee payable for the year;
- (ii) 25% per annum of the difference in distribution per unit in a financial year compared to the preceding financial year, multiplied by the weighted average number of units of SF REIT in issue for such financial year (the "**Variable Fee**"); and
- (iii) not exceeding 0.5% of the acquisition price of each real estate acquired from SFH Group and not exceeding 1.0% of the acquisition price of each real estate acquired from third parties other than SFH Group, directly or indirectly, by SF REIT (pro-rated if applicable to the proportion of SF REIT's interest in the real estate acquired) (the "**Acquisition Fee**").

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For the year ended 31 December 2023

13. REIT Manager's fee (continued)

(iii) (Continued)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Base Fee	25,771	24,737
Variable Fee	1,985	701
Acquisition Fee	–	3,165
	27,756	28,603

The REIT Manager may elect at its sole discretion to receive the REIT Manager's fee in the form of cash or entirely or partly in the form of 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. Pursuant to the announcement of SF REIT dated 10 January 2023, the REIT Manager elected to receive the REIT Manager's fee for the year ended 31 December 2023 entirely in the form of new units issued by SF REIT (2022: no election was made by the REIT Manager, REIT Manager's fee was paid 100% in the form of cash). On 4 September 2023, a total of 4,761,976 new units of SF REIT were issued to the REIT Manager at a price of HK\$2.732 per unit as entire payment of the REIT Manager's fee of approximately HK\$13,010,000 for the period from 1 January 2023 to 30 June 2023 (Note 30). For illustration purpose, based on the average closing price of the units of SF REIT on the Stock Exchange for the five consecutive trading days immediately preceding 31 December 2023, the number of units to be issued to the REIT Manager for settlement of the remaining REIT Manager's fee for the year ended 31 December 2023 of approximately HK\$14,746,000 will be 5,607,000 (Note 14(b)). The actual units to be issued will be based on the average closing price of the units of SF REIT on the Stock Exchange for the five consecutive trading days immediately preceding the date on which the units of SF REIT are issued as entire payment for the REIT Manager's fee.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
REIT Manager's fee		
In the form of units	27,756	–
In the form of cash	–	28,603
	27,756	28,603

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For the year ended 31 December 2023

14. Earnings per unit

(a) Basic

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

	2023	2022
Profit for the year, before transactions with Unitholders (HK\$'000)	219,469	439,673
Weighted average number of units for the year (Thousand)	801,553	800,000
Basic earnings per unit (HK cents)	27.38	54.96

(b) Diluted

Diluted earnings per unit based upon profit for the year before transactions with Unitholders is calculated by adjusting the weighted average number of units in issue and assuming all dilutive potential units are issued. SF REIT has manager's fee to be paid in the form of units during the year which are dilutive potential units. For illustration purpose, the number of units adjusted for manager's fee to be paid in the form of units was calculated based on the average closing price of the units of SF REIT on the Stock Exchange for the five consecutive trading days immediately preceding 31 December 2023 (2022: None).

	2023	2022
Profit for the year, before transactions with Unitholders (HK\$'000)	219,469	439,673
Weighted average number of units for the year (Thousand)	801,553	800,000
Adjustments for manager's fee to be paid in the form of units (Thousand)	5,607	–
Weighted average number of units for diluted earnings per unit (Thousand)	807,160	800,000
Diluted earnings per unit (HK cents)	27.19	54.96

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For the year ended 31 December 2023

15. Investment properties

Details of the movements of investment properties are as follows:

	<i>HK\$'000</i>
As at 1 January 2023	7,377,618
Cost adjustments (Note)	(21,954)
Fair value changes on investment properties	55,013
Currency translation differences	(22,479)
As at 31 December 2023	7,388,198
	<i>HK\$'000</i>
As at 1 January 2022	6,541,755
Acquisition of subsidiaries	643,841
Cost adjustments	(1,766)
Fair value changes on investment properties	301,231
Currency translation differences	(107,443)
As at 31 December 2022	7,377,618

Note: The amount included the construction cost adjustments of Changsha property arising from settlements for the year ended 31 December 2023.

(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 2023 and 2022 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 capitalisation approach as its primary approach with cross-reference to the direct comparison approach, where appropriate.

The income capitalisation 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 capitalised to determine the fair value at an appropriate capitalisation rate.

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15. Investment properties (continued)

(ii) Valuation Techniques (continued)

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

Investment properties held by the Group	Fair value hierarchy	Valuation	Valuation technique and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Asia Logistics Hub – SF Centre (亞洲物流中心－順豐大廈) No. 36 Tsing Yi Hong Wan Road (Tsing Yi Town Lot No. 180), Tsing Yi, New Territories Hong Kong	Level 3	2023: HK\$5,987,000,000 (2022: HK\$5,944,000,000)	Income capitalisation method with cross reference to the direct comparison approach The key inputs are:		
			(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 3.75% as at 31 December 2023 (2022: 3.75%).	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 4.25% as at 31 December 2023 (2022: 4.25%).	The higher the reversionary yield, the lower the 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\$13.50/sq. ft./month as at 31 December 2023 (2022: HK\$13.38/sq. ft./month).	The higher the monthly market rent, the higher the fair value.

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15. Investment properties (continued)

(ii) Valuation Techniques (continued)

Investment properties held by the Group	Fair value hierarchy	Valuation	Valuation technique and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Changsha Fengtai Industrial Park (長沙豐泰產業園) No. 102, Hexin Road, Huangxin Town, Changsha City, Hunan Province, The PRC	Level 3	2023: HK\$605,115,000 (RMB550,400,000) 2022: HK\$624,827,000 (RMB559,400,000)	Income capitalisation method with cross reference to the direct comparison approach The key inputs are:		
			(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 2023 (2022: 4.75%).	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 2023 (2022: 5.25%).	The higher the reversionary yield, the lower the 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 RMB29.05/sq.m./month as at 31 December 2023 (2022: RMB29.88/sq.m./month).	The higher the monthly market rent, the higher the fair value.

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15. Investment properties (continued)

(ii) Valuation Techniques (continued)

Investment properties held by the Group	Fair value hierarchy	Valuation	Valuation technique and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Foshan Guicheng Fengtai Industrial Park (佛山桂城豐泰產業園) The northern side of Guanli Road and the western side of Guihe Road, Nanhai District, Foshan City, Guangdong Province, The PRC	Level 3	2023: HK\$547,616,000 (RMB498,100,000) 2022: HK\$556,358,000 (RMB498,100,000)	Income capitalisation method with cross reference to the direct comparison approach The key inputs are:		
			(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 2023 (2022: 4.75%).	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 2023 (2022: 5.25%).	The higher the reversionary yield, the lower the 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 RMB43.55/sq.m./month as at 31 December 2023 (2022: RMB42.50/sq.m./month).	The higher the monthly market rent, the higher the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

15. Investment properties (continued)

(ii) Valuation Techniques (continued)

Investment properties held by the Group	Fair value hierarchy	Valuation	Valuation technique and significant unobservable inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Wuhu Fengtai Industrial Park (蕪湖豐泰產業園) No. 61 Longteng Road Jiujiang District, Wuhu City, Anhui Province, The PRC	Level 3	2023: HK\$248,467,000 (RMB226,000,000) 2022: HK\$252,433,000 (RMB226,000,000)	Income capitalisation method with cross reference to the direct comparison approach The key inputs are:		
			(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 2023 (2022: 5.00%).	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 2023 (2022: 5.50%).	The higher the reversionary yield, the lower the 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 RMB24.92/sq.m./month as at 31 December 2023 (2022: RMB24.67/sq.m./month).	The higher the monthly market rent, the higher the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

15. Investment properties (continued)

(iii) Restriction on the investment properties

SF REIT acquired the Changsha property on 24 June 2022. 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 of 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).

(iv) Security for the Group’s borrowings

As at 31 December 2023, certain of the Group’s investment properties in Mainland China and Hong Kong, amounting to approximately HK\$1,152,731,000 (2022: HK\$1,181,185,000) and HK\$5,987,000,000 (2022: HK\$5,944,000,000) respectively, were pledged to secure the Group’s loan facilities of HK\$2,563,434,000 (2022: HK\$2,650,114,000).

16. Property, plant and equipment

	Buildings <i>HK\$'000</i>	Office equipment, electronic equipment and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2023	7,611	6,530	14,141
Additions	–	1,850	1,850
Depreciation	(177)	(1,895)	(2,072)
Currency translation differences	(114)	(44)	(158)
As at 31 December 2023	7,320	6,441	13,761
As at 31 December 2023			
Cost	8,263	18,761	27,024
Accumulated depreciation	(943)	(12,320)	(13,263)
Net book value	7,320	6,441	13,761

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16. Property, plant and equipment (continued)

	Buildings <i>HK\$'000</i>	Office equipment, electronic equipment and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2022	8,508	5,663	14,171
Additions	–	2,346	2,346
Depreciation	(185)	(1,279)	(1,464)
Currency translation differences	(712)	(200)	(912)
As at 31 December 2022	7,611	6,530	14,141
As at 31 December 2022			
Cost	8,389	16,786	25,175
Accumulated depreciation	(778)	(10,256)	(11,034)
Net book value	7,611	6,530	14,141

17. Financial instruments by categories

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial assets at amortised cost		
Trade receivables (Note 19)	1,794	1,689
Deposits and other receivables	2,020	2,747
Amounts due from related companies (Note 31(c)(i))	8,186	6,327
Restricted cash (Note 21)	35,645	65,912
Cash and cash equivalents (Note 21)	190,247	274,136
Financial assets at fair value		
Derivative financial instruments (Note 18)	32,950	51,214
	270,842	402,025

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17. Financial instruments by categories (continued)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial liabilities carried at amortised cost		
Borrowings (Note 22)	2,563,434	2,650,114
Trade payables (Note 24)	857	1,153
Other payables	67,685	122,187
Amounts due to connected persons and related companies	79,295	73,160
	2,711,271	2,846,614

18. Derivative financial instruments

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Derivative assets		
Designated as cash flow hedge		
– Interest rate swap contracts	32,950	51,214

Interest rate swap contracts

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently re-measured at its fair value. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2 of the fair value hierarchy.

The fair values of interest rate swap contracts are calculated by reference to the present values of the estimated future cash flows, taking into account market observable yield curves. Interest rate swap contract are included in Level 2 of the fair value hierarchy. During the year ended 31 December 2023 and 2022, there were no transfers between the three levels of the fair value hierarchy.

The Group enters into the interest rate swaps that have similar critical terms as the hedged item, such as reference rate, payment dates, and maturities. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the period, there is an economic relationship. Accordingly, the interest rate swaps are designated as cash flow hedges of the loans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

18. Derivative financial instruments (continued)

Hedging reserves

The movement of the Group's hedging reserves relating to interest rate swaps is as follows:

	Interest rate swaps <i>HK\$'000</i>
As at 1 January 2023	42,764
Change in fair value of hedging instrument recognised in OCI for the year	5,721
Reclassified from OCI to profit or loss-included in finance costs	(23,985)
Deferred tax	3,014
As at 31 December 2023	27,514

	Interest rate swaps <i>HK\$'000</i>
As at 1 January 2022	–
Change in fair value of hedging instrument recognised in OCI for the year (Note 4.1.2)	49,774
Reclassified from OCI to profit or loss-included in finance costs	1,440
Deferred tax	(8,450)
As at 31 December 2022	42,764

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

19. Trade receivables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables		
– Third parties	1,794	1,689
– Related companies (Note)	8,186	6,327
	9,980	8,016

Note: Trade receivables from related companies are classified as amounts due from related companies in the consolidated balance sheet.

Rental income from rental of 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 2023 and 2022, a significant portion of the trade receivables and future trade receivables were and will be pledged to secure the Group's bank borrowings.

The ageing analysis of trade receivables, based on invoice date, was as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	9,980	8,016

20. Prepayments and other receivables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Value added tax (“VAT”) recoverable and other tax receivables (Note (i))	15,933	18,957
Deposits and prepayments (Note (ii))	3,887	5,092
Others	976	1,580
	20,796	25,629

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

20. Prepayments and other receivables (continued)

Notes:

- (i) Amounts mainly represented the VAT input tax from Mainland China property Companies, which could be used for deduction of VAT output tax.
- (ii) Amounts mainly represented the deposit and prepayments for property operating expenses. The carrying amounts of deposits and other receivables approximated to their fair values due to the short-term nature.

21. Restricted cash and cash and cash equivalents

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Restricted cash	35,645	65,912
Cash and cash equivalents	190,247	274,136
	225,892	340,048

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
HK\$	171,476	240,901
RMB and others	54,416	99,147
	225,892	340,048

Restricted cash is pledged to banks to secure certain Group's bank borrowings (Note 22).

As at 31 December 2023 and 2022, the remittance of the bank deposits in Mainland China is subject to exchange control restrictions imposed by the Chinese government.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22. Borrowings

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Principal amounts of bank borrowings, secured	2,565,270	2,652,721
Capitalisation of transaction costs	(1,836)	(2,607)
	2,563,434	2,650,114
Less: Borrowings with maturities less than one year which were presented under current liabilities	(47,464)	(48,210)
	2,515,970	2,601,904

Bank borrowing are denominated in the following currencies:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
HK\$	2,157,164	2,156,393
RMB	406,270	493,721
	2,563,434	2,650,114

As at 31 December 2023, the weighted average effective interest rate on bank borrowings by outstanding principal amounts was 4.83% per annum (2022: 4.43% per annum).

Please refer to Note 11 for the finance cost on borrowings for the year ended 31 December 2023 and 2022.

As at 31 December 2023, the Group's investment properties of approximately HK\$7,139,731,000 (2022: HK\$7,125,185,000) (Note 15), a significant portion of trade receivables, the rental income generated from the leases of the investment properties during the terms of the borrowings, restricted bank balances of approximately HK\$35,645,000 (2022: HK\$65,912,000) (Note 21), equity interests in a certain subsidiary of the Group and certain assets of a subsidiary of the Group were pledged to secure the Group's bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22. Borrowings (continued)

The Group's borrowings were repayable as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	47,464	48,210
Between 1 and 2 years	47,464	48,210
Between 2 and 5 years	2,377,805	2,400,112
Over 5 years	90,701	153,582
	2,563,434	2,650,114

23. Deferred tax liabilities

Deferred income 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 at 31 December 2023 and 2022, presented in the consolidated balance sheet, after appropriate offsetting are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deferred tax assets	(50,339)	(60,065)
Deferred tax liabilities	747,066	718,344
Net deferred tax liabilities	696,727	658,279

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

23. Deferred tax liabilities (continued)

(a) Deferred tax assets

The movement on the deferred tax assets for the year is as follows:

	Government grants <i>HK\$'000</i>	Unused tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2023	8,605	51,460	–	60,065
(Charged)/credited to the consolidated income statements	(224)	(9,441)	94	(9,571)
Currency translation differences	(155)	–	–	(155)
As at 31 December 2023	8,226	42,019	94	50,339
	<i>Government grants HK\$'000</i>	<i>Unused tax losses HK\$'000</i>	<i>Others HK\$'000</i>	<i>Total HK\$'000</i>
As at 1 January 2022	7,571	76,484	305	84,360
(Charged)/credited to the consolidated income statements	1,829	(25,024)	(289)	(23,484)
Currency translation differences	(795)	–	(16)	(811)
As at 31 December 2022	8,605	51,460	–	60,065

Deferred income tax assets are recognised for tax losses carry-forward to the extent that realisation of the related tax benefit through utilisation against future taxable profits is probable. As at 31 December 2023 and 2022, the Group did not recognise deferred tax assets of HK\$1,438,000 and HK\$1,169,000 in respect of cumulative tax loss amounting to HK\$8,717,000 and HK\$7,088,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

23. Deferred tax liabilities (continued)

(b) Deferred tax liabilities

The movement on the deferred tax liabilities for the year 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>	Fair value of derivatives designated as cash flow hedges <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2023	703,905	5,989	8,450	718,344
Charged to the consolidated income statements	29,352	3,431	–	32,783
Credited to OCI	–	–	(3,014)	(3,014)
Currency translation differences	(1,047)	–	–	(1,047)
As at 31 December 2023	732,210	9,420	5,436	747,066
	Difference between tax book and accounting book in respect of investment properties <i>HK\$'000</i>	Withholding taxes <i>HK\$'000</i>	Fair value of derivatives designated as cash flow hedges <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2022	642,465	2,990	–	645,455
Charged to the consolidated income statements	67,131	2,999	–	70,130
Charged to OCI	–	–	8,450	8,450
Currency translation differences	(5,691)	–	–	(5,691)
As at 31 December 2022	703,905	5,989	8,450	718,344

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

24. Trade payables

	2023 HK\$'000	2022 HK\$'000
Trade payables	857	1,153

The ageing analysis of trade payables, based on invoice date, was as follows:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	857	1,153

25. Amounts due to connected persons and related companies

	2023 HK\$'000	2022 HK\$'000
Deposits received from tenants	61,190	57,736
Accruals for REIT Manager fee and Trustee's fee	15,503	14,070
Management service income received in advance	3,443	3,250
Rental collected in advance	699	968
Payables for construction	1,444	156
Others	1,158	1,198
	83,437	77,378

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

26. Other payables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Payables for construction	15,483	66,954
Deposits received from tenants	30,560	33,903
Accruals for property management fee	14,905	14,835
Payables for legal and professional fee	4,415	1,982
Rental collected in advance	2,789	3,370
Other taxes payable	1,782	1,792
Management service income collected in advance	945	681
Interest payables	1,102	1,023
Others	1,220	1,698
	73,201	126,238

27. Note to the Consolidated Statement of Cash Flows

(a) Net Cash Generated from operations

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit before taxation and transactions with Unitholders	273,247	544,036
Adjustments for:		
– Finance income	(9,200)	(3,537)
– Finance costs	113,958	73,195
– Depreciation and amortisation	2,179	1,572
– Fair value changes on investment properties	(55,013)	(301,231)
– Amortisation of government grants	(3,015)	(759)
	322,156	313,276
Changes in working capital:		
– Trade and other receivables	(46,209)	(3,660)
– Amount due from and to connected persons and related parties	(56,803)	(104,931)
– Trade and other payables	30,741	(34,948)
Net cash generated from operations	249,885	169,737

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27. Note to the Consolidated Statement of Cash Flows (continued)

(b) Major non-cash transactions

- (i) During the year ended 31 December 2023, the rental income and management service income from Mainland China segment amounting to HK\$91,665,000 (2022: HK\$113,883,000) 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) For the year ended 31 December 2023, the REIT Manager's fee amounted to approximately HK\$13,010,000 (2022: Nil) was settled by issuance of 4,761,976 units (Note 13).

(c) Reconciliation of liabilities arising from financing activities

	Bank borrowings <i>HK\$'000</i>	Interest payables (included in other payables) <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2023	2,650,114	1,023	2,651,137
Cash flows			
Repayments of bank borrowings	(80,065)	–	(80,065)
Interest paid	–	(113,098)	(113,098)
Non-cash movement			
Charged to consolidated income statement	773	113,185	113,958
Currency translation difference	(7,388)	(8)	(7,396)
As at 31 December 2023	2,563,434	1,102	2,564,536

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27. Note to the Consolidated Statement of Cash Flows (continued)

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

	Bank borrowings <i>HK\$'000</i>	Interest payables (included in other payables) <i>HK\$'000</i>	Listing expense payable <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2022	2,141,491	1,017	337	2,142,845
Cash flows				
Proceeds from borrowings, net of transaction costs paid	261,889	–	–	261,889
Repayments of bank borrowings	(41,238)	–	–	(41,238)
Interest paid	–	(72,216)	–	(72,216)
Non-cash movement				
Adjustment to listing expenses payable	–	–	(337)	(337)
Acquisition of subsidiaries	322,156	88	–	322,244
Charged to consolidated income statement	744	72,451	–	73,195
Currency translation difference	(34,928)	(317)	–	(35,245)
As at 31 December 2022	2,650,114	1,023	–	2,651,137

28. Capital commitments

As at 31 December 2023 and 2022, the Group had no outstanding capital commitments.

29. Contingent liabilities

As at 31 December 2023 and 2022, the Group had no contingent liabilities.

Notes to the Consolidated Financial Statements

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30. Units in issue

	Number of units	HK\$'000
As at 1 January 2022, 31 December 2022 and 1 January 2023	800,000,000	3,984,000
Issue of new units during the year:		
Payment of REIT Manager's fee for the period from 1 January 2023 to 30 June 2023 (Note)	4,761,976	13,010
As at 31 December 2023	804,761,976	3,997,010

Note: REIT Manager's fee to the REIT Manager was in the form of units. On 4 September 2023, a total of 4,761,976 new units of SF REIT were issued to the REIT Manager at a price of HK\$2.732 per unit as entire payment of the REIT Manager's fee of approximately HK\$13,010,000 for the period from 1 January 2023 to 30 June 2023 (Note 13).

31. Connected party transactions and significant related party transactions and balances

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

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

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)
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
長沙市宏捷產業園運營管理有限公司 (Changsha Hongjie Industrial Park Operation Management Co., Ltd.)	(i), (ii), (iii), (iv) and (v)

Notes to the Consolidated Financial Statements

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31. Connected party transactions and significant related party transactions and balances (continued)

(a) Nature of relationship with connected persons/related companies (continued)

Connected persons/related companies	Relationship with the Group
深圳市順豐同城物流有限公司 (Shenzhen SF Intra-city Logistics Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
浙江雙捷供應鏈科技有限公司 (Zhejiang Shuangjie Supply Chain Technology Co., Ltd.)	(i), (ii), (iii), (iv) and (v)
順豐數據服務(武漢)有限公司 (S.F. Data Service (Wuhan) 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)
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)
深圳市豐泰產業園管理服務有限公司 (Shenzhen Fengtai Industrial Park Management Service 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 fellow subsidiaries of the REIT Manager, and hence the associates of the REIT Manager.
- (iv) These companies are subsidiaries of S.F. Holding Co., Ltd., a substantial holder of SF REIT, and hence the associates of the substantial holder of SF REIT.
- (v) These companies are the associates of Mr. WANG Wei, a director in the last 12 months.
- (vi) "Associate" has the meaning ascribed to this term under the REIT Code.

Notes to the Consolidated Financial Statements

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31. 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, 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

	2023 HK\$'000	2022 HK\$'000
S.F. Express (China) Limited	94,364	90,631
S.F. Express (Hong Kong) Limited	87,867	87,655
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	48,529	50,961
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	14,959	3,899
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	11,513	10,586
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	9,996	10,408
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	7,984	8,371
浙江雙捷供應鏈科技有限公司 (Zhejiang Shuangjie Supply Chain Technology Co., Ltd.)	1,575	–
長沙市宏捷產業園運營管理有限公司 (Changsha Hongjie Industrial Park Operation Management Co., Ltd.)	–	100
深圳市順豐同城物流有限公司 (Shenzhen SF Intra-city Logistics Co., Ltd.)	–	23
	276,787	262,634

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

31. Connected party transactions and significant related party transactions and balance (continued)

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

(ii) Management service income

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
S.F. Express (China) Limited	13,478	12,696
S.F. Express (Hong Kong) Limited	12,630	12,263
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	4,097	1,546
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	3,943	2,962
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	2,594	2,620
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	890	886
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	663	642
浙江雙捷供應鏈科技有限公司 (Zhejiang Shuangjie Supply Chain Technology Co., Ltd.)	626	–
深圳市順豐同城物流有限公司 (Shenzhen SF Intra-city Logistics Co., Ltd.)	–	12
	38,921	33,627

(iii) Other revenue

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
S.F. Express (China) Limited	8,513	10,656
S.F. Express (Hong Kong) Limited	3,365	3,682
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	405	967
HAVI Logistics Services (Hong Kong) Limited	129	206
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	37	127
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	11	38
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	1	29
FS Electronic Technology Co., Limited	–	381
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	–	56
	12,461	16,142

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

31. Connected party transactions and significant related party transactions and balance (continued)

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

(iv) Operations manager's fees

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
深圳市豐泰產業園管理服務有限公司 (Shenzhen Fengtai Industrial Park Management Service Co., Ltd.)	2,623	682
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.)	–	825
合肥市捷泰企業管理有限公司 (Hefei Jietai Enterprise Management Co., Ltd.)	–	328
長沙市宏捷產業園運營管理有限公司 (Changsha Hongjie Industrial Park Operation Management Co., Ltd.)	–	305
	2,623	2,140

(v) REIT Manager's fee

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
SF REIT Asset Management Limited	27,756	28,603

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

31. Connected party transactions and significant related party transactions and balance (continued)

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

(vi) Trustee's fee

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
DB Trustees (Hong Kong) Limited	1,538	1,663

(c) Balances with connected persons/related companies

(i) Amounts due from related companies

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	2,697	2,856
S.F. Express (China) Limited	1,994	1,912
S.F. Express (Hong Kong) Limited	1,235	618
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	1,096	6
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	620	432
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	511	323
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	33	–
FS Electronic Technology Co., Limited	–	83
HAVI Logistics Services (Hong Kong) Limited	–	42
SF REIT Asset Management Limited	–	55
	8,186	6,327

The entire balance of the amounts due from related companies is trade in nature.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

31. Connected party transactions and significant related party transactions and balance (continued)

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

(ii) Amounts due to connected persons and related companies

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
S.F. Express (China) Limited	33,686	30,338
S.F. Express (Hong Kong) Limited	29,666	29,858
SF REIT Asset Management Limited	15,860	14,378
湖南順豐速運有限公司 (Hunan S.F. Express Co., Ltd.)	1,071	480
深圳市豐泰產業園管理服務有限公司 (Shenzhen Fengtai Industrial Park Management Service Co., Ltd.)	1,444	–
DB Trustees (Hong Kong) Limited	756	861
湖南順豐快運有限公司 (Hunan S.F. Freight Co., Ltd.)	277	876
佛山順豐速運有限公司 (Foshan S.F. Express Co., Ltd.)	221	–
浙江雙捷供應鏈科技有限公司 (Zhejiang Shuangjie Supply Chain Technology Co., Ltd.)	211	355
安徽順和快運有限公司 (Anhui Shunhe Freight Co., Ltd.)	116	27
安徽順豐速運有限公司 (Anhui S.F. Express Co., Ltd.)	111	19
深圳市順豐同城物流有限公司 (Shenzhen SF Intra-city Logistics Co., Ltd.)	18	19
深圳市豐泰工程項目管理有限公司 (Shenzhen Fengtai Project Management Co., Ltd.)	–	156
順豐數據服務(武漢)有限公司 (S.F. Data Service (Wuhan) Co., Ltd)	–	11
	83,437	77,378

The entire balance of amounts due to connected persons and related companies as at 31 December 2023 and 2022 is trade in nature, and consists of rental deposits received and other items detailed in Note 25.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32. Principal subsidiaries

SF REIT held the following principal subsidiaries as at 31 December 2023:

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 Asset Management Co., Ltd.)	PRC, limited liability company/PRC	Property investment	RMB90,909,100	100%
長沙捷泰電商產業園管理有限公司 (Changsha Jietai E-Commerce Industrial Park Asset Management Co., Ltd.)	PRC, limited liability company/ PRC	Property investment	RMB191,919,200	100%

33. Approval of the consolidated financial statements

The consolidated financial statements were approved by the board of directors of the REIT Manager on 14 March 2024.

Valuation Report



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
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tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

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公司牌照號碼：C-030171

Our ref: CON100494102RE-7

19 February 2024

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 four properties located in Hong Kong and the People's Republic of China (the "PRC", excluding, for the purpose of this valuation report 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, Changsha Fengtai Industrial Park, 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 2023 (the "**valuation date**") for accounting reference purpose.

Basis of Valuation

Our valuation is 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.



Valuation Report

We have collected and analyzed market information from various sources in particular JLL developed asset management platform – Zhenliang including but not limited to market rent, vacancy, capitalisation rate, etc., which can be accessed at www.zhenliang.com.

Document and Title Investigation

For the property 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 provided with copies of the title documents relating to the property interests in Hong Kong. We have caused searches to be made at the Land Registry, but we have not been given any legal advice in respect of title.

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.

Inspection of the Properties was carried out in January 2024 and October 2023 by Mr. Albert Mak, Mr. Samuel Feng and Ms. Alice Zhong. Mr. Albert Mak has more than 3 years' experience in the valuation of properties in Hong Kong. Mr. Samuel Feng and Ms. Alice Zhong has more than 5 years' and 3 years' experience in the valuation of properties in the PRC respectively.

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.

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; and
- 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

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)	5,987,000,000	100%	5,987,000,000
Total:		5,987,000,000	–	5,987,000,000

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.	Changsha Fengtai Industrial Park No. 102 Hexin Road Huangxing Town Changsha City Hunan Province The PRC (長沙豐泰產業園)	550,400,000	100%	550,400,000
3.	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)	498,100,000	100%	498,100,000
4.	Wuhu Fengtai Industrial Park No. 61 Longteng Road Jiujiang District Wuhu City Anhui Province The PRC (蕪湖豐泰產業園)	226,000,000	100%	226,000,000
Total:		1,274,500,000	–	1,274,500,000

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 2023 <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) Tsing Yi Town Lot No. 180	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>As at the valuation date, portions of the property with a total gross lettable area of approximately 1,679,435.44 sq.ft. (or approximately 156,024.81 sq.m) were rented to various lessees for various terms with the expiry dates between 29 February 2024 and 29 February 2028 with a total monthly rent of approximately HKD22,558,339 before profit tax, exclusive of management fees, Government rent, rates, water and electricity charges and other outgoings.</p> <p>The remaining portion of the property was vacant as at the valuation date.</p>	<p>5,987,000,000 (estimated net yield: 4.4%)^{Note 9}</p>

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 characterised by medium-rise industrial/warehouse buildings of various ages and open storage areas.
2. Pursuant to the land search record as at the 19 January 2024 ("**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. 11 tenancy agreements/sub-tenancy agreements/memorandum for lease/memorandum for sub-lease/novation agreement/memorandum for tenancy agreements for various terms of 2 years and 10 months to 6 years and 1 month with various lease expiry dates between 29 February 2024 and 29 February 2028;
 - e. Mortgage (for all monies) and Assignment of Leases and Rentals in favour of DBS Bank Ltd. vide Memorial Nos. 21052500520029 and 21052500520033 both dated 12 May 2021;
 - f. Confirmatory Mortgage and Confirmatory Assignment in favour of DBS Bank Ltd. vide Memorial Nos. 22030701370025 and 22030701370030 both dated 24 February 2022; and
 - g. Second Confirmatory Mortgage (for all monies) and second Confirmatory Assignment (all monies) in favour of DBS Bank Ltd. vide Memorial Nos. 22042501420015 and 22042501420028 both dated 19 April 2022.
4. According to the Approved Tsing Yi Outline Zoning Plan No. S/TY/32 gazetted on 28 October 2022, 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
Total:	1,046,049.54	97,181.28	1,725,692.53	160,322.24

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 area is 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	1,679,435.44	156,024.81	97.3%
Vacant	46,257.09	4,297.43	2.7%
Total:	1,725,692.53	160,322.24	100.0%

Lease Expiry Profile

Expiry year	Gross Lettable Area (sq.ft.)	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (HKD) ^{Note}	% to Total Monthly Rent
2024	260,740.80	24,223.64	15.1%	3,769,543	16.7%
2025	117,964.00	10,959.22	6.9%	1,769,460	7.8%
2026	1,243,360.43	115,512.08	72.0%	15,993,158	70.9%
2028	57,370.21	5,329.87	3.3%	1,026,178	4.6%
Total:	1,679,435.44	156,024.81	97.3%	22,558,339	100.0%

Lease Duration Profile

Lease Duration	Gross Lettable Area (sq.ft.)	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (HKD) ^{Note}	% to Total Monthly Rent
2 – 3 years	358,254.80	33,282.99	20.8%	5,177,989	23.0%
3 – 4 years	126,209.00	11,725.21	7.3%	1,919,480	8.5%
4 – 5 years	1,194,971.64	111,016.61	69.2%	15,460,870	68.5%
Total:	1,679,435.44	156,024.81	97.3%	22,558,339	100.0%

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.) ^{Note}	Term Yield	Reversionary Yield
Car parking	2.8	3.75%	4.25%
Warehouse	13.4 – 17	3.75%	4.25%
Ancillary Office	13.3	3.75%	4.25%

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. The estimated net yield of the property is derived from the annual net property income as at 31 December 2023 of the property divided by the fair value of the property as at the valuation date. The actual annual net property income is approximately HKD262,926,000.

10. Market Overview

Hong Kong is a metropolitan city and a special administrative region of the People's Republic of China, located in the southeastern Pearl River Delta of the South China Sea, with a land area of approximately 2,755 sq. km. 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 infrastructure to enhance its status in the logistics industry.

The Hong Kong economy continued to revive in the fourth quarter of 2023, supported by inbound tourism and private consumption. According to the advance estimates, real GDP grew by 4.3% year-on-year. On a seasonally adjusted quarter-to-quarter comparison, real GDP increased by 0.5% in the fourth quarter, further to 0.3% growth in the preceding quarter. For 2023, real GDP resumed growth of 3.2%, following a contraction of 3.7% in 2022. Visitor arrivals should increase further as handling capacity continues to recover, with additional boost from the Government's efforts to promote mega events. Together with the Government's various measures, rising household income should continue to support private consumption. Fixed asset investment should also grow further alongside continued economic growth, though the tight financial conditions may remain a constraint for the time being.

The 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 the Kwai Tsing district and even in Hong Kong, mainly due to the shortage of land resources. Cainiao Smart Gateway with total GFA of 4,100,000 sq.ft. is the only new completion of modern logistics center in 2023. Market sources indicated that three floors of the new completion with a total GFA of 1,130,000 sq.ft., will be leased to Tmall and a cargo operator, both of which are connected to the landlord. Arrow Asia will occupy an entire floor (350,000 sq.ft.), and a logistics operator will share the same floor with the previously committed A&S Group. On the demand side, vacancy rate jumped to 5.8% in the third quarter due to the new completion and remained the same level at the end of 2023.

Prime warehouse rental reached its peak to HKD13.5 per sq.ft. per month (net effective on GFA) in 2023 with 1.0% growth on a y-o-y basis. With the notable increase in marketable spaces and the persistently weak outlook for trade in the coming quarters, it is anticipated that the rents for prime warehouses will potentially be under mild downward pressure in 2024.

The investment market sentiments of industrial properties improved modestly. The investment volume (over USD5 million excluding equity and land deals) surged by 184% q-o-q in 4Q23 and the number of transactions with the afore-mentioned scale rose from 10 in 3Q23 to 13 in 4Q23.

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 2023 RMB
2.	Changsha Fengtai Industrial Park No. 102 Hexin Road Huangxing Town Changsha City Hunan Province The PRC (長沙豐泰產業園)	<p>The property occupies 2 parcels of land with a total site area of approximately 169,844.84 sq.m., which had been developed into an industrial park in two phases.</p> <p>The property comprises two single-storey warehouses, a three-storey warehouse (with two underground levels with 218 car parking spaces), a ramp-up two-storey distribution centre, a nine-storey office building and three ancillary buildings which were completed between 2019 and 2021.</p> <p>The property has a total gross floor area of approximately 113,466.74 sq.m. The usage, gross floor area and gross lettable area details of the property are set out in note 7.</p> <p>The land use rights of the property have been granted for terms expiring on 30 December 2066 and 28 February 2068 for warehouse use.</p>	<p>As at the valuation date, portions of the property with a total gross lettable area of approximately 118,549.69 sq.m. were rented to various lessees for various terms with the expiry dates between 19 March 2024 and 31 December 2026 at a total monthly rent of approximately RMB3,746,084 before profit tax, inclusive of management fee but exclusive of value-added tax, water and electricity charges and other outgoings.</p>	<p>550,400,000 (estimated net yield: 6.2%)^{Note 12}</p>

Notes:

1. The property is situated on the northern side of Hexin Road close to its junction with Shengxiang Road to the east. The locality is characterised by industrial/warehouse buildings of various ages.
2. Pursuant to a State-owned Construction Land Use Rights Grant Contract No. 003859 dated 13 December 2016, the land use rights of a parcel of land with a site area of approximately 117,333 sq.m. were contracted to be granted to Changsha Jietai E-Commerce Industrial Park Asset Management Co., Ltd. (長沙捷泰電商產業園管理有限公司, “**Changsha Company (PRC)**”, for a term of 50 years for warehouse use commencing from the land delivery date. The total land premium was RMB62,780,000.
3. Pursuant to a State-owned Construction Land Use Rights Grant Contract No. 003957 dated 16 January 2018, the land use rights of a parcel of land with a site area of approximately 52,511.84 sq.m. were contracted to be granted to Changsha Company (PRC) for a term of 50 years for warehouse use commencing from the land delivery date. The total land premium was RMB28,100,000.
4. Pursuant to 2 Real Estate Title Certificates (for land) – Xiang (2017) Chang Sha Xian Bu Dong Chan Quan Di No. 0042751 and Xiang (2018) Chang Sha Xian Bu Dong Chan Quan Di No. 0032109, the land use rights of 2 parcels of land with a total site area of approximately 169,844.84 sq.m. have been granted to Changsha Company (PRC) for terms expiring on 30 December 2066 and 28 February 2068 for warehouse use.
5. Pursuant to 8 Real Estate Title Certificates – Xiang (2020) Chang Sha Xian Bu Dong Chan Quan Di Nos. 0005814, 0005816, 0005821, 0005834, 0005836, 0008304 and Xiang (2021) Chang Sha Xian Bu Dong Chan Quan Di Nos. 0047767 and 0066059, the aboveground levels of the property with a total gross floor area of approximately 113,466.74 sq.m. are owned by Changsha Company (PRC).
6. For the two underground levels (including 218 car parking spaces) within warehouse No.3 of the property, we have not been provided with any Real Estate Title Certificates.
7. According to the information provided by the REIT Manager, the 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.)
Warehouse	63,500.85	68,232.13
Distribution Center	38,386.89	40,386.89
Office Building	11,340.76	11,302.88
Ancillary	238.24	–
218 car parking spaces	N/A	N/A
Total:	113,466.74	119,921.90 ^{Note}

Note:

According to the approved building plan and information provided by the REIT Manager, the Gross Lettable Area of the property includes 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. These facilities and structures can be used and leased out. As a result, the Gross Lettable Area of the property is larger than Gross Floor Area in this circumstance.

Valuation Report

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

Occupancy Profile

Type	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area
Leased	118,549.69	98.9%
Vacant	1,372.21	1.1%
Total:	119,921.90	100%

Lease Expiry Profile

Expiry year	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (RMB) ^{Note}	% to Total Monthly Rent
2024	9,481.96	7.9%	273,004	7.3%
2025	5,422.23	4.5%	342,186	9.1%
2026	103,645.50	86.5%	3,130,894	83.6%
Total:	118,549.69	98.9%	3,746,084	100%

Lease Duration Profile

Lease Duration	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (RMB) ^{Note}	% to Total Monthly Rent
Up to 1 year	2,381.33	2.0%	63,013	1.7%
1 – 2 years	136.42	0.1%	3,594	0.1%
2 – 3 years	13,358.40	11.2%	385,820	10.3%
4 – 5 years	102,673.54	85.6%	3,293,657	87.9%
Total:	118,549.69	98.9%	3,746,084	100%

Note:

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

9. In the valuation of the property, we have made the following assumptions:
- Changsha Company (PRC) 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 Changsha Company (PRC) with no outstanding payable fees or monies; and
 - The Tenancy Agreements mentioned above are legally binding, valid and enforceable.
10. A summary of major certificates/approvals is shown as follows:
- State-owned Construction Land Use Rights Grant Contract Yes
 - State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land) Yes
 - Real Estate Title Certificate Yes
11. 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.) ^{Note}	Term Yield	Reversionary Yield
Warehouse	29.7	4.75%	5.25%
Distribution Center	29.1	4.75%	5.25%
Office Building	29.9	4.75%	5.25%

Note:

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

12. The estimated net yield of the property is derived from the annual net property income as at 31 December 2023 of the property divided by the fair value of the property as at the valuation date. The actual annual net property income is approximately RMB34,300,000.

13. Market Overview

Changsha, the provincial capital and the largest city of Hunan Province, is located in the northeastern part of Hunan Province and the lower reaches of the Xiang River, bordering Jiangxi Province to the east. Changsha covers a land area of approximately 11,819 square kilometers and has approximately 10.24 million permanent residents as of 2023. Changsha is one of the core cities of the Yangtze River Middle Reaches Megalopolis, and a national comprehensive transportation hub. The city is also an important high-speed railway hub in central China, which is the junction of several prime railways, including the Beijing-Guangzhou railway, the Shanghai-Kunming railway and the Chongqing-Xiamen railway. In terms of economy, Changsha has witnessed impressive growth from 2015 to 2022. In 2023, Changsha's GDP achieved RMB1,433.2 billion, representing a y-o-y growth of 4.8%.

Changsha is an important node city that connects the Yangtze River Delta Area and the Greater Bay Area to the inland regions. Changsha has developed a mature transportation system, laying a solid groundwork for the development of the modern logistics industry. Besides, Changsha has a vibrant manufacturing sector. In 2023, the export volume of Changsha engineering machinery enterprises increased by more than 44.5% year-on-year while the export volume of new materials reached RMB4.57 billion, with a y-o-y growth of 30.6%.

On the supply side, the total stock of Grade A non-bonded logistics warehouse in Changsha grew to be around 3.87 million sq.m. at the end of 2023. It is expected that more than 300,000 sq.m. of newly completed warehouses will be put into use in 2024.

On the demand side, 3PLs occupied over 40% of the total stock of Grade A warehouse and continued to be the major demand in Changsha. Following to the 3PLs, the manufacturing industries including machinery, automobile, and new energy industry constituted over 10% of the Grade A warehouse leasing demand in the market. With regional development and the overall economic recovery, the net absorption of warehouses is expected to further increase in 2024, leading to a healthier supply-demand structure.

Changsha County, where Huangxing Town is located, is one of the core submarkets of Changsha, where around 20% of Grade A logistics warehouse of Changsha settle in. Supported by stable tenants, the occupancy and market rent in Changsha County were above the average level in Changsha by 2023. However, as the logistics market of Changsha is facing tough competition and oversupply, there will have rental downward pressure in the foreseeable future.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 December 2023 RMB
3.	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 3.</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>	<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 terms with the expiry date on 30 April 2026 with a monthly rent of approximately RMB3,908,560 before profit tax, inclusive of management fees but exclusive of value-added tax, water and electricity charges and other outgoings.</p>	<p>498,100,000</p> <p>(estimated net yield: 7.4%)^{Note 8}</p>

Notes:

- The property is situated on the northern side of Guanli Road close to its junction with Guihe Road to the east. The locality is characterised by industrial/warehouse buildings of various age.
- 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 Industrial Investment Co., Ltd. (佛山潤眾工業投資有限公司, “**Foshan Company (PRC)**”). The relevant land use rights of a parcel of land with a site area of approximately 59,600.36 sq.m. have been granted to Foshan Company (PRC) for a term of 50 years expiring on 20 July 2049 for industrial use.

Valuation Report

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	
Total:	82,552.24	84,950.76 ^{Note}

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%
Total:	84,950.76	100%

Lease Expiry Profile

Expiry year	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (RMB) ^{Note}	% to Total Monthly Rent
2026	84,950.76	100%	3,908,560	100%
Total:	84,950.76	100%	3,908,560	100%

Lease Duration Profile

Lease Duration	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (RMB) ^{Note}	% to Total Monthly Rent
5 years	84,950.76	100%	3,908,560	100%
Total:	84,950.76	100%	3,908,560	100%

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 Company (PRC) 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 Company (PRC) 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 <i>(RMB/sq.m.)</i> ^{Note}	Term Yield	Reversionary Yield
Distribution Center	43.5	4.75%	5.25%
Ancillary	48.2	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. The estimated net yield of the property is derived from the annualised net property income as at 31 December 2023 of the property divided by the fair value of the property as at the valuation date. The actual annual net property income is approximately RMB36,904,000.

9. 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 (PRD), covering approximately 3,848 square kilometers and has an urban population of around 10 million in 2023. 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 center 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.

In 2023, Foshan achieved a total GDP of RMB1,327.6 billion, with a y-o-y growth rate of 5%. In 2023, the city achieved a total retail sales of social consumer goods of RMB373.4 billion, with a year-on-year increase of 3.7%. The growth rate of retail sales has accelerated, and there has been rapid growth in retail sales of upgraded goods. The retail sales of construction and decoration materials, furniture, intelligent household appliances and audio-visual equipment increased by 61.3%, 19.6% and 14.4% respectively. In 2023, the city achieved added value of the output of industrial enterprises above designated size (enterprises with an annual income over RMB5 million) of RMB630.1 billion, representing an increase of 6.6% y-o-y. By November 2023, the operating income of the industrial enterprises above designated size increased by 2.9% y-o-y, with eight of the ten major industry categories growing. Among them, the operating income of the loading and unloading and warehouse industry, the culture, sports and entertainment industry, and the residential service, repair, and other service industry achieved rapid growth, with growth rates reaching 42.1%, 27.0%, and 25.3%, respectively. The total turnover of highway and waterway transportation increased by 5.7% and 21.9%, respectively.

The annual supply of modern logistics properties in Foshan is fluctuating in recent years. Since the land price in Guangzhou has increased rapidly, developers have shifted their attention to satellite cities such as Foshan, resulting in supply influx. And the trend is expected to remain in the next few years, thus the city will provide over 2 million sq.m. annual supply. In November 2023, the Nanhai District Government released the Measures for Promoting the Development and Supporting the Eastern Modern Logistics Industry Cluster in Foshan City Nanhai District (佛山市南海區促進佛山東部現代物流產業集聚區發展扶持辦法), aiming at enlarging the influence of Foshan as a national logistics hub.

However, anticipating the large amount of new supply in the market and a longer time for the economic recovery, the property operator was under the pressure of occupancy rate decline across 2023, while most of them kept the rental level stable other than growing as previous. As such, the market showed resilience and the vacancy rate of Foshan modern logistics market stay at a relatively low level at the end of 2023.

E-commerce and 3PLs remains to be the dominant tenant type in Foshan in 2023. Meanwhile, the manufacturing industry developed steadily and was becoming a more important driver for the market. Several renowned developers such as GLP had entered Foshan's logistics market since 2007.

In 2023, an asset package transaction across multiple cities was recorded involving three Grade A warehouses in Foshan. Although there have been limited actual transactions in the past, as one of the key cities in the Greater Bay Area, the Grade A warehouse market in Foshan has always been a focus of investors' attention.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 December 2023 RMB
4.	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 3.</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 59,839.27 sq.m. were rented to various lessees for various terms with the expiry dates between 17 January 2024 and 30 September 2026 with a total monthly rent of approximately RMB1,580,693 before profit tax, inclusive of management fees but exclusive of value-added tax, water and electricity charges and other outgoings.</p>	<p>226,000,000</p> <p>(estimated net yield: 5.7%)^{Note 8}</p>

Notes:

- The property is situated on the western side of Longteng Road and the northern side of Yongzhen Road. The locality is characterised by industrial/warehouse buildings of various ages.
- 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 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)**”). The relevant land use rights of a parcel of land with a site area of approximately 108,390.90 sq.m. have been granted to Wuhu Company (PRC) for a term of 50 years expiring on 20 January 2066 for warehouse use.

Valuation Report

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.)
Warehouse	29,972.98	30,562.49
Distribution Center	22,567.77	23,730.00
Ancillary Office and Dormitory	9,763.41	8,405.61
Total:	62,304.16	62,698.10^{Note}

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	59,839.27	95.4%
Vacant	2,858.83	4.6%
Total:	62,698.10	100.0%

Lease Expiry Profile

Expiry year	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (RMB) ^{Note}	% to Total Monthly Rent
2024	3,059.49	4.9%	64,017	4.1%
2025	890.40	1.4%	18,174	1.1%
2026	55,889.38	89.1%	1,498,502	94.8%
Total:	59,839.27	95.4%	1,580,693	100.0%

Lease Duration Profile

Lease Duration	Gross Lettable Area (sq.m.)	% to Total Gross Lettable Area	Monthly Rent (RMB) ^{Note}	% to Total Monthly Rent
Up to 1 year	2,715.81	4.3%	56,423	3.6%
1 – 2 years	343.68	0.6%	7,594	0.5%
2 – 3 years	1,155.48	1.8%	23,765	1.5%
4 – 5 years	55,624.30	88.7%	1,492,911	94.4%
Total:	59,839.27	95.4%	1,580,693	100.0%

Note:

The monthly market 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. Wuhu Company (PRC) 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 Wuhu Company (PRC) 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.) ^{Note}	Term Yield	Reversionary Yield
Warehouse	21.0	5.00%	5.50%
Distribution Center	31.7	5.00%	5.50%
Ancillary Office and Dormitory	20.0	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.

8. The estimated net yield of the property is derived from the annual net property income as at 31 December 2023 of the property divided by the fair value of the property as at the valuation date. The actual annual net property income is approximately RMB12,848,000.

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 2023, the city covered approximately 6,026 square kilometers and had a population of approximately 3.73 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.

In 2023, Wuhu had a total GDP of approximately RMB474.1 billion, with a y-o-y growth rate of 5.7%. In 2023, the added value of the output of industrial enterprises above designated size (enterprises with an annual income over RMB5 million) in the city increased by 6.5% y-o-y. Among the leading industries, the automotive and parts industry grew by 19.7%, and the electronic and electrical appliances industry grew by 12.7%, with growth contribution rates of 69.9% and 23.8%, respectively. The added value of high-tech manufacturing increased by 19.1%, which was 14.3 percentage points higher than the provincial average. These indicators represented a solid foundation for the development of Wuhu's logistics market.

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. So far, Wuhu has been designated as a national logistics hub and in July 2022, Anhui province formulated the Three-Year Special Action Plan for Logistics Quality Improvement, Efficiency Enhancement, and Cost Reduction (2022-2024) (安徽省物流提質增效降本三年專項行動計劃 (2022-2024)) to improve the development of Wuhu's logistics industry in terms of logistics ports and cold-chain facilities. At the end of June 2023, Wuhu launched its plan on being a pilot city of express industry in China. In October 2023, the National Development and Reform Commission, jointly with the Ministry of Natural Resources, the Ministry of Transport, the Ministry of Commerce, and the State Administration for Market Regulation issued the Notice on Locating and Constructing Modern Circulation Strategic Pivot Cities (關於佈局建設現代流通戰略支點城市的通知), deploying the layout and construction work of modern circulation strategic pivot cities. Wuhu has been included in the list, and is designated as one of the composite-logistics pivot city, highlighting its important position in the national modern circulation strategic system.

The warehouse absorption in Wuhu improved in the second half of the year, and the new supply is expected to be well absorbed in the upcoming year, leading to a continuous optimisation of the supply-demand structure. The rental level of Wuhu's modern logistics property has been remaining uptrend since 2015 yet was interrupted by the COVID-19 pandemic. The city has been actively exploring ways to moderating the industry fluctuation. In 2023Q4, Wuhu saw the vacancy rate climbed up and it is expected that in the next few years, the overall market in Wuhu will be in a stage of adjustment. In 2023, Wuhu recorded no transactions for Grade A logistics properties.

Performance Table

	2023	31 December	
		2022	2021
Net assets attributable to Unitholders	HK\$4,233.6 million	HK\$4,260.0 million	HK\$4,091.7 million
Net assets per unit attributable to Unitholders	HK\$5.26	HK\$5.32	HK\$5.11
	For the year ended 31 December 2023	For the year ended 31 December 2022	For the period from 17 May 2021 (Date of Listing) to 31 December 2021
The highest traded unit price	HK\$3.21	HK\$3.69	HK\$4.74
The highest premium of the traded unit price to net assets per unit attributable to Unitholders (Note (i))	N/A	N/A	N/A
The lowest traded unit price	HK\$2.48	HK\$2.51	HK\$3.24
The highest discount of the traded unit price to net assets per unit attributable to Unitholders	52.9%	52.8%	36.7%
Net yield per unit (Note (ii))	10.73%	9.53%	4.95%
Annualised net yield per unit	10.73%	9.53%	7.90%

Notes:

- (i) The highest traded unit price is lower than the net assets per unit attributable to Unitholders. Accordingly, the highest premium of the traded unit price to net assets per unit attributable to Unitholders has not been recorded.
- (ii) The net yield per unit is calculated based on the distribution per unit for the year ended 31 December 2023 of HK28.66 cents (2022: HK27.74 cents) over the closing price as at 31 December 2023 of HK\$2.67 (31 December 2022: HK\$2.91) per unit.

Financial Summary

	For the year ended 31 December 2023 <i>HK\$'000</i>	For the year ended 31 December 2022 <i>HK\$'000</i>	For the period from 29 April 2021 (Date of Establishment) to 31 December 2021 <i>HK\$'000</i>
Results			
Revenue	444,918	421,469	244,274
Net property income	357,654	343,561	194,888
Profit for the year/period, before transactions with Unitholders	219,469	439,673	174,271
Basic earnings per unit	HK27.38 cents	HK54.96 cents	HK21.78 cents
Distribution per unit	HK28.66 cents	HK27.74 cents	HK17.24 cents

	2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total assets	7,692,288	7,817,488	7,009,560
Total liabilities, excluding net assets attributable to Unitholders	3,458,670	3,557,495	2,917,886
Net assets attributable to Unitholders	4,233,618	4,259,993	4,091,674
Net assets per unit attributable to Unitholders	HK\$5.26	HK\$5.32	HK\$5.11

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

Add-on Services	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
associate(s)	has the meaning ascribed to this term under the REIT Code
Audit Committee	audit committee established by the Board
BEAM Plus	a rating standard that would give the building a rating such as Platinum, Gold, Silver and Bronze
Board	board of directors of the REIT Manager
Board Committees	committees established by the Board, namely, the Investment Committee, the Audit Committee, the Nomination and Remuneration Committee and the Disclosures Committee
Chairman or Board Chairman	chairman of the Board
Changsha Jietai	長沙捷泰電商產業園管理有限公司 (Changsha Jietai E-Commerce Industrial Park Asset Management Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of SF REIT
Changsha Property	the property owned by SF REIT in Changsha, Mainland China, and its exact location is set out in the “Valuation Report” section of this report
Changsha RMB Loan	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
Chief Executive Officer or CEO	chief executive officer of the REIT Manager
China Orient Asset Management	has the meaning ascribed to this term under the “Disclosure of Interests” section of this report
China Orient International	has the meaning ascribed to this term under the “Disclosure of Interests” section of this report



Glossary

Compliance Manual	compliance manual adopted by the REIT Manager for the management and operation of SF REIT
connected person(s)	has the meaning ascribed to this term under the REIT Code
controlling unitholder	has the meaning ascribed to this term under the REIT Code
COSO	Committee of Sponsoring Organizations of Treadway Commission
Date of Establishment	29 April 2021, the date on which SF REIT was constituted by the Trust Deed
Director(s)	director(s) of the REIT Manager
Disclosures Committee	disclosures committee established by the Board
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
Executive Director or ED	executive director of the REIT Manager
Foshan and Wuhu RMB Loans	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
Foshan Property	the property owned by SF REIT in Foshan, Mainland China, and its exact location is set out in the “Valuation Report” section of this report
Foshan Runzhong	佛山市潤眾工業投資有限公司 (Foshan Runzhong Industrial Investment Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of SF REIT
GDP	gross domestic product
GLA	gross lettable area

Greater Bay Area	comprised the two special administrative regions of Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province
Group	SF REIT and its subsidiaries
HK\$	Hong Kong dollar, the lawful currency of Hong Kong
HK\$ Loans	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
HK\$ Revolving Loan	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
HK\$ Term Loan	has the meaning ascribed to this term under the “Management Discussion and Analysis” section of this report
HIBOR	The Hong Kong Interbank Offered Rate
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Independent Non-executive Director(s) or INED(s)	independent non-executive director(s) of the REIT Manager
Investment Committee	investment committee established by the Board
IRS	interest rate swap contract(s)
kWh per month	kilowatt-hour per month
Listing Date	17 May 2021, the date of listing of the units of SF REIT on the Main Board of the Hong Kong Stock Exchange
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited



Glossary

Mainland China	for the purpose of this report only, PRC (excluding Hong Kong, Macao Special Administrative Region and Taiwan)
New Operations Management Agreements	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
Nomination and Remuneration Committee	nomination and remuneration committee established by the Board
Non-executive Director(s) or NED(s)	non-executive director(s) of the REIT Manager
Novation Agreements	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
Operations Management Agreements	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
Operations Manager	深圳市豐泰產業園管理服務有限公司 (Shenzhen Fengtai Industrial Park Management Service Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of SFH
PRC	The People’s Republic of China
Property Companies	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
REIT	real estate investment trust
REIT Code	Code on Real Estate Investment Trusts issued by the SFC
REIT Manager	SF REIT Asset Management Limited, as manager of SF REIT
RMB	Renminbi, the lawful currency of the PRC
SF Fengtai	SF Fengtai Industrial Park Holdings Limited (順豐豐泰產業園控股有限公司), a company incorporated in the British Virgin Islands and a substantial holder of SF REIT holding 35.38% of the issued units

SF Leasing Framework Agreement	has the meaning ascribed to this term under the “Connected Party Transactions” section of this report
SF REIT	SF Real Estate Investment Trust, a collective investment scheme authorised under section 104 of the SFO and constituted by the Trust Deed
SFC	Securities and Futures Commission of Hong Kong
SFH	S.F. Holding Co., Ltd. (順豐控股股份有限公司), a company established in the PRC and whose shares are listed on the Shenzhen Stock Exchange, and is a controlling unitholder of SF REIT
SFH Group	SFH and its subsidiaries
SFHK	has the meaning ascribed to this term under the “Disclosure of Interests” section of this report
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
sq.m.	square metre
substantial holder(s)	has the meaning ascribed to this term under the REIT Code
Trust Deed	trust deed dated 29 April 2021 entered into between the Trustee and the REIT Manager constituting SF REIT
Trustee	DB Trustees (Hong Kong) Limited, as trustee of SF REIT
Tsing Yi Property	the property owned by SF REIT in Tsing Yi, Hong Kong, and its exact location is set out in the “Valuation Report” section of this report
unit(s)	unit(s) of SF REIT (unless the context requires otherwise)
Unitholder(s)	holder(s) of unit(s) of SF REIT
VAT	value added tax



Glossary

Wuhu Fengtai	蕪湖市豐泰電商產業園管理有限公司 (Wuhu Fengtai E-Commerce Industrial Park Asset Management Co., Ltd.), a company established in the PRC and an indirect wholly-owned subsidiary of SF REIT
Wuhu Property	the property owned by SF REIT in Wuhu, Mainland China, and its exact location is set out in the “Valuation Report” section of this report
Year	financial year ended 31 December 2023
%	per cent

